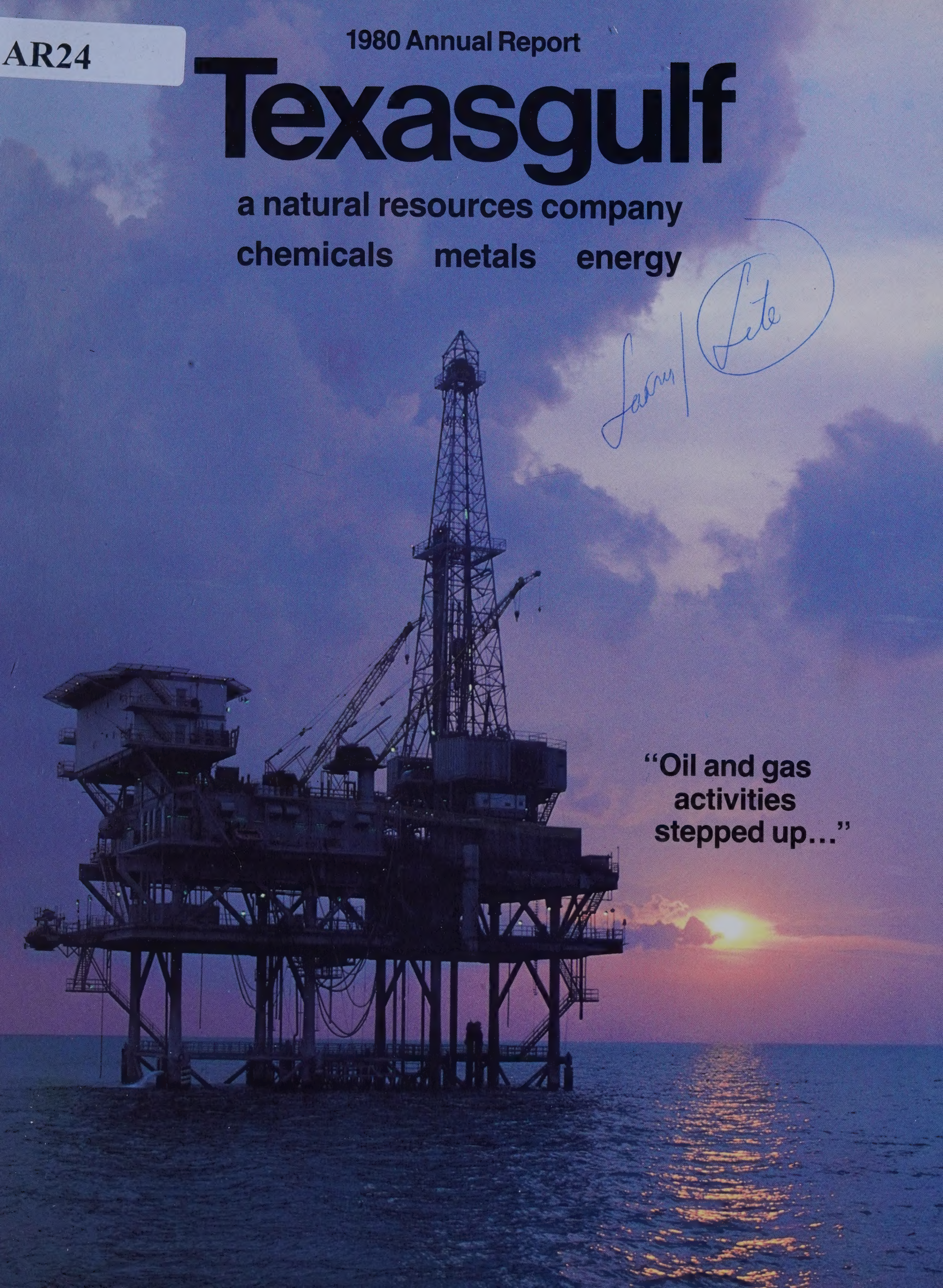
1980 Annual Report

Texasgulf

a natural resources company

chemicals metals energy

Larry | Lite



"Oil and gas activities stepped up..."

About Texasgulf...

The cover: Eugene Island 108 platform in the Gulf of Mexico symbolizes Texasgulf's intention to increase its oil and gas production so that the three principal businesses—chemicals, metals and energy—will be essentially equal contributors to company profits in the future.

A diversified natural resources company, Texasgulf finds, develops and produces: chemicals, including phosphates, sulphur, potash and soda ash; metals, including copper, zinc, silver, gold, lead, cadmium and tin in the form of concentrates and refined metals; and energy, including oil, gas and coal. It explores for minerals and energy sources worldwide.

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This Annual Report is dedicated to the memory of the eight officers and employees who died in an airplane crash on February 11, 1981. A special tribute by the Board of Directors to Dr. Charles F. Fogarty appears on page 51.

Summary of 1980

Sales exceeded $1 billion and earnings were more than $325 million for 1980, with total assets exceeding $2 billion, for the first time. The company's improved results in 1980 reflect the benefits of its major expansion programs.

Texasgulf Chemicals Company sales and income set records. Prices and volumes were higher for most products, and major expansions were under way at Lee Creek and other locations.

Texasgulf Metals Company had an excellent year. Sales and income increased dramatically. The Kidd Creek mine expansion program and new copper smelter and refinery neared completion.

Texasgulf Oil and Gas Company sales and income improved. The company made several discoveries and acquired a significant number of oil and gas properties in the Gulf of Mexico. Substantial new production is scheduled for 1981-82.

Minerals exploration increased, highlighted by gold discoveries at Hoyle Pond in Canada and Bank Gold in South Africa.

Texasgulf's 1980 performance strengthened the company's financial position. Internally generated funds financed a level of capital expenditures more than twice that for 1979. Key financial ratios improved. Dividends were increased, and a proposal was announced to split the common stock two for one in May, 1981.

Financial Highlights	1980	1979
Sales	$1,090,135,000	$ 789,256,000
Net income	$ 325,551,000	$ 136,867,000
Net income per common share		
Primary	$ 9.70	$ 4.05
Fully diluted	$ 8.68	$ 3.71
Dividends paid per share		
Common	$ 1.50	$ 1.20
Preferred	$ 3.00	$ 3.00
Working capital	$ 292,304,000	$ 266,573,000
Ratio of current assets to current liabilities	2.3 to 1	2.7 to 1
Total assets	$2,010,383,000	$1,648,081,000
Long term debt, less current maturities	$ 344,450,000	$ 351,169,000
Stockholders' equity	$1,167,578,000	$ 870,456,000
Return on average stockholders' equity	32.0%	16.7%
Number of employees at December 31	6,480	5,906
Number of common shareowners of record at December 31	53,795	56,851
Average number of common shares outstanding	32,742,573	31,543,558
Book value per common share at December 31	$ 31.23	$ 22.60

Sales and Income by Operating Companies	1980		1979	
(amounts in millions)	Sales	Net Income	Sales	Net Income (Loss)
Texasgulf Chemicals Company	$ 662.5	$168.3	$464.1	$ 88.6
Texasgulf Metals Company	390.2	116.5	298.8	61.5
Texasgulf Oil and Gas Company	35.7	5.8	23.6	2.8
Other	1.7	35.0[1]	2.8	(16.0)
Total	$1,090.1	$325.6	$789.3	$136.9

[1] Includes the cumulative effect of change to flow-through method of accounting for investment tax credits and the gain from the sale of Texasgulf's interest in Cliffs Western Australian Mining Co. Pty. Ltd. See note 1 on page 36.

To Our Shareowners:

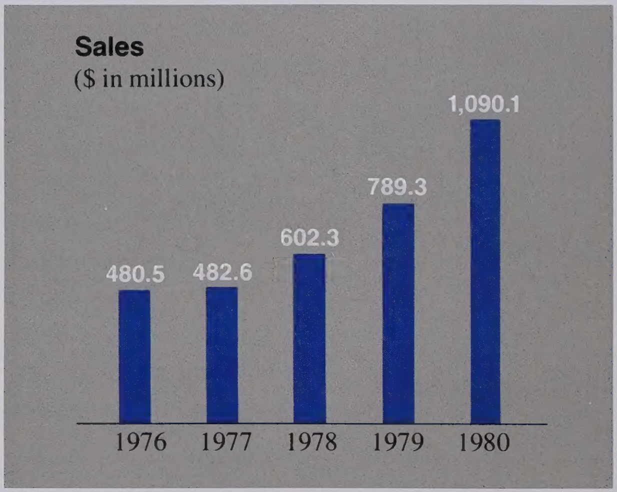
On February 11, 1981, one of the company's planes crashed on its approach to the Westchester County Airport. On board were Dr. Charles F. Fogarty, Chairman of the Board and Chief Executive Officer, and seven other Texasgulf officers and employees.

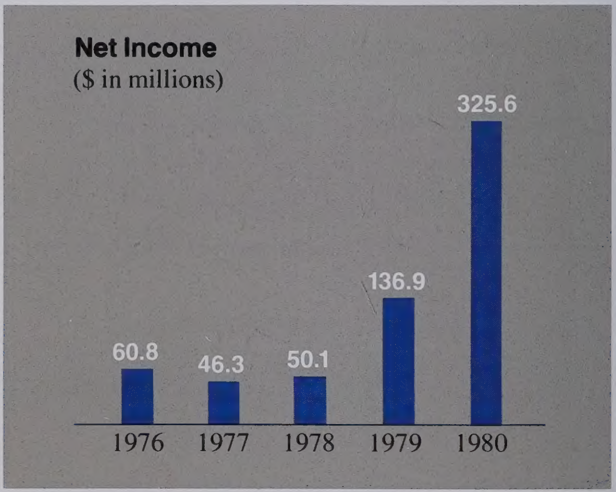
The next evening, February 12, the Board of Directors met in order to fill the positions left vacant by this tragic accident. Richard D. Mollison was elected Chairman and Chief Executive Officer of the company. Dr. Gino P. Giusti will continue as President and Chief Operating Officer.

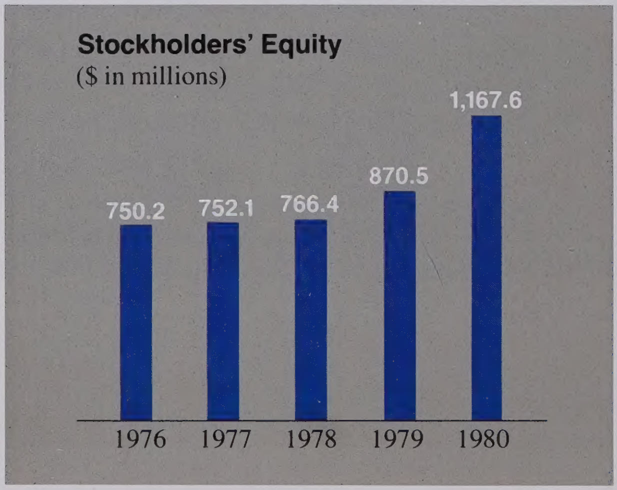
The Board also elected the following: Earl L. Huntington, Senior Vice President and General Counsel; Walter F. Meyer, Senior Vice President and Chief Financial Officer; Robert P. Hedley, Treasurer; John T. Thornton, Controller; Thomas J. Wright, Vice President of Texasgulf and President of Texasgulf Chemicals Company; and Stephen H. Cole, General Manager, Research, Engineering and Construction.

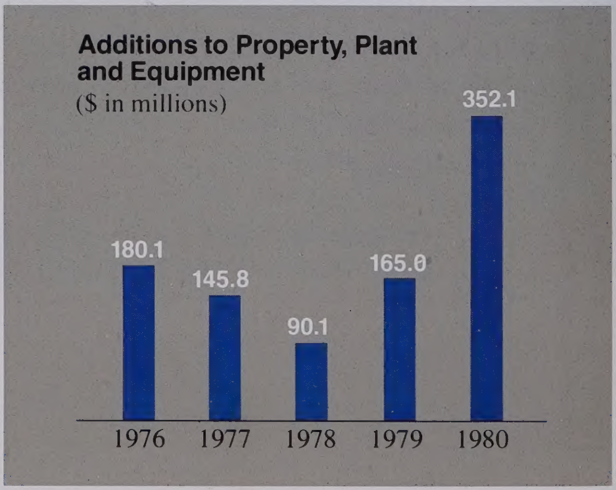
A special tribute by the Board of Directors to Dr. Fogarty appears later in this report along with a special memorial tribute to all those lost in this tragedy. The following report of 1980 operations is itself a tribute to him.

Sales and earnings were the highest of any year in the company's history, reflecting higher prices and the benefits of Texasgulf's expansion programs of the past several years. Sales exceeded $1 billion and total assets $2 billion for the first time. Sales were $1.1 billion, net income $325.6 million, and total assets $2.0 billion. The company began 1981 in a strong posi-









tion for further growth and profitability.

The improvement in 1980 over 1979 was gratifying. Sales were up 38 percent from 1979. Net income was up 138 percent. Net income per share was $9.70 compared with $4.05 in 1979. Fourth quarter 1980 sales were $283.8 million compared with $220.3 million in 1979. Net income per share in the fourth quarter was $2.38 compared with $1.32 the year before.

The substantial improvement in sales and earnings was the result of higher prices for nearly all chemicals and metals products and moderately higher sales volumes. Demand for most Tg products was strong. Most facilities operated at or near capacity during the year. Production records were set at many locations.

Operating costs were higher because of the continued increase in energy costs and the persistent high rates of inflation in the United States and Canada.

Richard D. Mollison

Prices for most Texasgulf products increased. Prices realized for phosphate fertilizers, sulphur, potash and soda ash were all above 1979 levels. Despite fluctuations, average copper and silver prices were above those of the previous year. Zinc prices increased by year end.

Major additions to metals and chemicals capacity neared completion in 1980. The new 65,000 ton per year Kidd Creek copper smelter and refinery will begin operations in April or May. The mine expansion program will be completed late this year. The expansion of the Lee Creek, North Carolina phosphate operations to 1,020,000 tons of P_2O_5 per year is almost 50 percent complete and will be completed in early 1982.

Oil and gas exploration and development is being stepped up. A significant increase in expenditures is planned. Ten new offshore oil and gas leases in the Gulf of Mexico were acquired. Drilling added to the company's oil and gas reserves. A high volume of new gas production from offshore properties will be coming on stream in the next two years.

Texasgulf's interest in the Cerro Colorado copper deposit in Panama was sold in June to Rio Tinto Zinc Corporation for $5,500,000, which represented Texasgulf's cost in the project. An additional amount in interest and fees was received in February, 1981 when Texasgulf elected not to participate further in the copper project.

Tg's 35 percent interest in Cliffs Western Australian Mining Co. was sold in November, 1980 to Cliffs International Investments Inc. for $40 million. The gain on this transaction was included in income for the fourth quarter of 1980. Tg sold its remaining interest in Western Australia iron ore properties to a wholly-owned subsidiary of CRA Limited in February, 1981 for another $40 million. The gain on this transaction will be included in first quarter 1981 income.

Consumption of Principal Products 1961–90

(millions of metric tons)	World Consumption				Western World Consumption	
Year	Phosphates P_2O_5	Sulphur	Potash K_2O	Soda Ash	Copper	Zinc
1961	10.0	22.7	8.5	12.6	4.1	2.6
1962	10.4	23.7	8.7	13.4	4.1	2.7
1963	11.1	25.0	9.3	13.1	4.4	2.9
1964	12.3	27.6	10.1	15.8	4.9	3.2
1965	13.3	29.3	11.1	16.4	5.0	3.3
1966	14.4	31.1	12.2	17.2	5.2	3.4
1967	15.5	32.3	13.0	17.4	4.9	3.4
1968	17.0	33.6	14.1	18.1	5.2	3.7
1969	18.1	35.1	14.7	19.4	5.7	4.0
1970	18.8	36.5	15.6	20.3	5.8	3.9
1971	19.8	37.9	16.7	20.4	5.7	4.0
1972	21.1	40.0	17.6	20.8	6.3	4.5
1973	22.5	43.7	18.8	21.6	6.9	4.9
1974	24.2	46.3	20.9	22.0	6.5	4.5
1975	22.7	44.7	19.9	21.6	5.5	3.5
1976	24.1	48.2	21.3	23.3	6.4	4.1
1977	26.2	51.5	23.1	24.5	6.9	4.1
1978	27.5	52.5	23.3	26.5	7.2	4.4
1979	30.2	55.3	24.6	27.0	7.6	4.7
1980 (preliminary)	31.0	56.0	26.0	26.3	7.3	4.4
1985*	38.0	68.0	32.5	32.8	9.1	5.5
1990*	47.0	80.0	39.0	37.5	10.5	6.3
Historic Annual Growth Rate	6.6%	5.0%	6.7%	4.0%	3.2%	2.9%
1980–85 Annual Growth Rate*	4.2%	4.0%	4.6%	4.5%	4.5%	4.6%
1985–90 Annual Growth Rate*	4.3%	3.3%	3.7%	2.7%	2.9%	2.8%

■ Indicates decline from previous year. *Estimated by Texasgulf's Market Research Department.

In February, 1981, Texasgulf agreed to sell a lignite property in Milam County, Texas, to Shell Oil Company, for $12.5 million.

Gold mining will accelerate. The small gold-copper-silver property at Iron Dyke in eastern Oregon is already producing. At Owl Creek, near the Kidd Creek concentrator, open pit mining will begin this summer. Initial milling of low grade material will begin at Cripple Creek, Colorado late this year.

Exploration is continuing at the promising gold prospect at Hoyle Pond near the Kidd Creek concentrator. Drilling at the Bank Gold prospect, north of the East Driefontein gold mine in South Africa, has identified significant gold mineralization.

Tg's strategy for growth and profitability remains the same... continue to grow in natural resources and related businesses with operations favorably positioned, primarily in North America. We intend to remain a low-cost producer and concentrate on products for which demand is strong and growing. Texasgulf intends to grow in metals, chemicals and oil and gas so that in the future, its three principal businesses...chemicals...metals...and energy... will be essentially equal contributors to company profits.

The prospects for Texasgulf are excellent. Barring unforeseen circumstances, 1981 should be another good year for Texasgulf. Domestic and export demand for phosphates and potash is expected to be strong. Sulphur is in tight supply worldwide. Zinc prices will continue to improve. Soda ash and copper should improve with an upturn in the economy, especially in the housing and automobile industries.

World consumption of Texasgulf's principal products will continue to grow. Consumption of phosphates, sulphur, potash, soda ash, copper and zinc has grown steadily for the past 20 years. Even with conservative estimates of growth in consumption, by 1990 the world will require much greater production.

During 1980, Governor Allan Shivers retired from the Board after 22 years of outstanding, dedicated service to Texasgulf. Pierre Côté, Chairman of the Board of Celanese Canada, was elected a Director. George Brown, former Chairman of Brown & Root, was elected an Honorary Director. He served with distinction on Texasgulf's Board from 1952 to 1957.

We are honored that George Bush, a former Texasgulf Director, is now Vice President of the United States. While a Director of Texasgulf, he contributed greatly to the company.

On February 6, 1981, the company announced that a proposal will be made to shareowners at the annual meeting on April 23 to split the common stock two for one and to increase the number of authorized shares of common stock from 45 million to 100 million and of preferred stock from 5 million to 10 million. The stock split, if approved, will become effective at the close of business on May 15. Assuming favorable conditions at the time, the Board intends to declare in April a quarterly dividend of fifty cents per pre-split share on the common stock outstanding on May 15.

With the the continued support of Texasgulf's shareowners and the dedicated efforts of Tg employees, we look forward to a bright future for the company.

Respectfully submitted,

R. D. Mollison

Richard D. Mollison
Chairman of the Board and
Chief Executive Officer

March 2, 1981

Texasgulf Chemicals Company

(dollar amounts in millions)	1980	1979	% Change
Sales	**$662.5**	$464.1	**+ 42.7**
Operating income*	**238.8**	130.2	**+ 83.4**
Net income	**168.3**	88.6	**+ 90.0**
Capital expenditures	**135.2**	44.6	**+203.1**
Assets	**906.1**	763.7	**+ 18.6**

*Before income taxes.

Chemicals sales and income set records in 1980. Sales increased 42.7 percent over 1979 to $662.5 million. Operating income was $238.8 million, 83.4 percent above last year's strong performance. These gains reflected increased sales for Frasch and recovered sulphur, phosphoric and superphosphoric acids, solid fertilizers, and calcium phosphate products used as ingredients in animal feed. Sales volumes of phosphate rock, soda ash and potash were lower than in 1979.

Worldwide demand for sulphur was strong, supplies tight and prices higher. The tight supply situation has resulted from increased consumption combined with several years of low worldwide investment in developing new sources of sulphur production and the interruption of supplies of sulphur from the Middle East and Poland.

Demand for soda ash was depressed by the year's sluggish markets for glass. Soda ash sales improved toward year end.

Average realized prices for all chemical products were higher in 1980 than in 1979, as illustrated in the table below.

	Average Realized Prices	
(per ton f.o.b. mine)	1980	1979
Diammonium phosphate	**$191.23**	$161.06
Granular triple superphosphate	**151.40**	115.73
Frasch sulphur (long ton—Tampa)	**118.49**	77.84
Potash (coarse—Moab domestic)	**78.68**	56.61
Soda ash	**81.62**	63.67

The expansion at Lee Creek from 680,000 tons to 1,020,000 tons of P_2O_5 per year is nearly 50 percent complete.

Phosphate rock production increased by 12 percent at the Lee Creek mine and chemicals complex in North Carolina. This excellent performance was highlighted by several months of production exceeding 400,000 tons. Phosphate rock production for the year was 4.3 million tons.

Phosphoric acid and solid fertilizer production increased by 42,000 tons of P_2O_5 to 728,000 tons. At year end, production was at an annual rate of 845,000 tons. The improved results reflect the benefits of the expansion program which is nearly 50 percent complete. The Lee Creek expansion is proceeding well ahead of schedule and is expected to reach the planned capacity of 1,020,000 tons of P_2O_5 per year in late 1981.

The increase in Lee Creek capacity is being achieved by a combination of debottlenecking existing facilities and the addition of entirely new facilities. Mine capacity is being increased with a new 30-inch dredge. A new flotation circuit will increase mill capacity. Construction of the world's largest sulphuric acid plant will support the higher levels of P_2O_5 production. Some sulphuric acid is being purchased until the new sulphuric acid plant is completed in early 1982. The existing phosphoric acid plants are being debottlenecked by adding new belt filters and new evaporators. A new superphosphoric acid plant and a new diammonium phosphate plant are also being added. All other facilities at Lee Creek are being upgraded to support the new capacity. Expansion of Lee Creek in stages, to two million tons of P_2O_5 per year, is also being planned.

A new solid fertilizer terminal and a sulphur storage tank were completed at the deepwater port at Morehead City, North Carolina. The new ammonia terminal planned for Morehead City has been delayed and is now scheduled for com-

Texasgulf Chemicals Company Production and Sales

	Production[1]		Sales Volumes[1]		Sales (amounts in millions)	
	1980	1979	**1980**	1979	**1980**	1979
Phosphate rock	**4,320,700**	3,850,800	**316,400**	639,200	**$ 12.7**	$ 17.6
Used internally	**3,193,200**	3,009,500	—	—	—	—
Phosphoric acid (54% P_2O_5)	**1,347,600**	1,270,800	**655,600**	628,400	**116.5**	90.8
Used internally	**726,400**	650,200	—	—	—	—
Solid phosphate fertilizers	**772,700**	668,400	**751,500**	627,700	**130.5**	86.4
Feed-grade phosphates	**99,100**	96,800	**99,000**	97,600	**22.9**	17.6
Sulphur (long tons)	**2,235,800**[2]	2,386,600[2]	**2,285,300**[2]	1,955,400[2]	**243.4**	141.3
Used internally	**651,500**	553,900	—	—	—	—
Soda ash	**877,000**	937,600	**820,900**	984,900[3]	**72.3**	66.4
Potash	**655,000**	701,900	**705,400**	751,500	**56.8**	39.2
Other sales	—	—	—	—	**7.4**	4.8
Total					**$662.5**	$464.1

[1]Short tons unless otherwise indicated.
[2]Includes purchases but excludes Mexican production.
[3]Includes purchases.

pletion in late 1982. In Tampa, Florida, a 60,000 ton liquid sulphur terminal was placed in operation in January, 1981, replacing a smaller terminal.

Production of feed-grade phosphates at Tg's Weeping Water, Nebraska operations was 99,100 tons, a new record. A new 10-34-0 plant was completed at Weeping Water and began production during the year.

Phosphate reserves at Lee Creek, where Texasgulf owns or leases about 54,000 acres, amount to approximately 2.2 billion tons of phosphate ore averaging about 13 percent P_2O_5, of which about 1.2 billion tons are proved and presently recoverable.

Texasgulf acquired a large pyrrhotite, or iron sulphide, deposit in Virginia during 1980. The pyrrhotite is a possible future source of sulphuric acid and energy for Tg's Lee Creek phosphate operation. In addition to the acid and energy, some copper and zinc may be recoverable.

In 1980, Texasgulf produced 1,528,100 tons of sulphur in the United States and Canada and purchased 707,700 tons for a total of 2,235,800 tons. Texasgulf's Mexican affiliate, in which it has a 34 percent interest, produced 551,300 tons.

Frasch sulphur reserves in Texas are estimated at approximately 15.1 million long tons. Mexican companies, in which Tg has a 34 percent interest, have Frasch sulphur reserves estimated at 19.3 million long tons. Texasgulf, through contractual arrangements and partial ownership of sour gas reserves in Alberta, has access to sulphur reserves estimated at 6.9 million long tons.

Potash production was affected by work on the Allan Mines expansion. Lower production at Allan Mines, where Texasgulf has a 40 percent interest, reflected a shutdown related

Phosphate rock production at Lee Creek was 4,320,700 tons in 1980.

to the mine's expansion from 1.2 to 1.5 million tons per year. Consideration is being given to a further increase in capacity to 2.5 million tons per year. Production at Texasgulf's Cane Creek Mine in Utah and at Allan Potash Mines in Saskatchewan totalled 655,000 tons in 1980, compared with 701,900 tons in 1979.

Potash reserves at Cane Creek are estimated to be 15.5 million tons averaging 16 percent K_2O, of which up to 50 percent may be recovered. Allan Potash Mines reserves total 1.99 billion tons averaging 24 percent K_2O.

Production of soda ash was lower because of depressed market conditions. Texasgulf's Green River, Wyoming soda ash plant produced 877,000 tons in 1980, compared with 937,600 tons in 1979. During October, the plant produced 97,300 tons, which was 117 percent of design capacity.

Engineering work and permit applications are proceeding for the doubling of the Green River plant from its present one million ton capacity to two million tons per year.

Texasgulf's trona reserves in Wyoming total about 170 million tons, with 1.8 tons of ore required to produce one ton of soda ash.

Additions to Texasgulf's transportation fleet in 1980 included 85 new superphosphoric acid cars and a net increase of 95 new liquid sulphur cars. The additions bring the Texasgulf fleet to 2,100 railroad cars.

A new headquarters office building for Texasgulf Chemicals Company was occupied in January, 1981 at Raleigh, North Carolina. The building also houses the Corporate Data Processing Center, serving most of the data processing needs of Texasgulf.

Potash production totalled 655,000 tons in 1980.

Sulphur demand is strong.

The outlook for Texasgulf Chemicals Company is bright. Long term worldwide demand for phosphate fertilizers and other Tg chemical products continues to grow.

By 1990, another billion people will have been added to the world's population, and more phosphate fertilizers will be needed to grow their food. United States demand for phosphate chemicals has doubled since 1960, and world demand has increased more than three and one-half times during this period.

Demand for phosphate fertilizers is expected to grow at a compounded rate of over 4 percent annually during the 1980's. By 1985, annual world consumption of phosphates will be 7 million metric tons above current levels and more than 16 million tons higher by 1990. With modern capacity in place and additional capacity under way, Texasgulf is favorably positioned to help satisfy this demand.

The tight sulphur supply situation seems certain to continue. The value of sulphur is increasing largely as a result of the expanding demand for phosphate fertilizers. It takes about one ton of sulphur to produce one ton of P_2O_5. Forecasts of sulphur use indicate that 1985 demand will be 12 million metric tons more than total production in 1980, with demand in 1990 rising another 12 million.

Forecasts for potash and soda ash show similar increases in demand. Potash consumption is expected to increase by more than 6 million metric tons by 1985 and to be 13 million tons above 1980 production in 1990. Demand for soda ash is expected to increase more than 6 million tons by 1985 and over 11 million tons by 1990.

With the continued increase in world demand, Tg's increased capacity and higher prices, the year 1981 should be a good one for Texasgulf Chemicals Company.

Green River soda ash production was 877,000 tons.

Tg's transportation fleet now has 2,100 rail cars.

Texasgulf Metals Company

(dollar amounts in millions)	1980	1979	% Change
Sales	**$390.2**	$298.8	**+ 30.6**
Operating income*	**185.1**	109.2	**+ 69.5**
Net income	**116.5**	61.5	**+ 89.4**
Capital expenditures	**133.8**	68.3	**+ 95.9**
Assets	**789.7**	637.7	**+ 23.8**

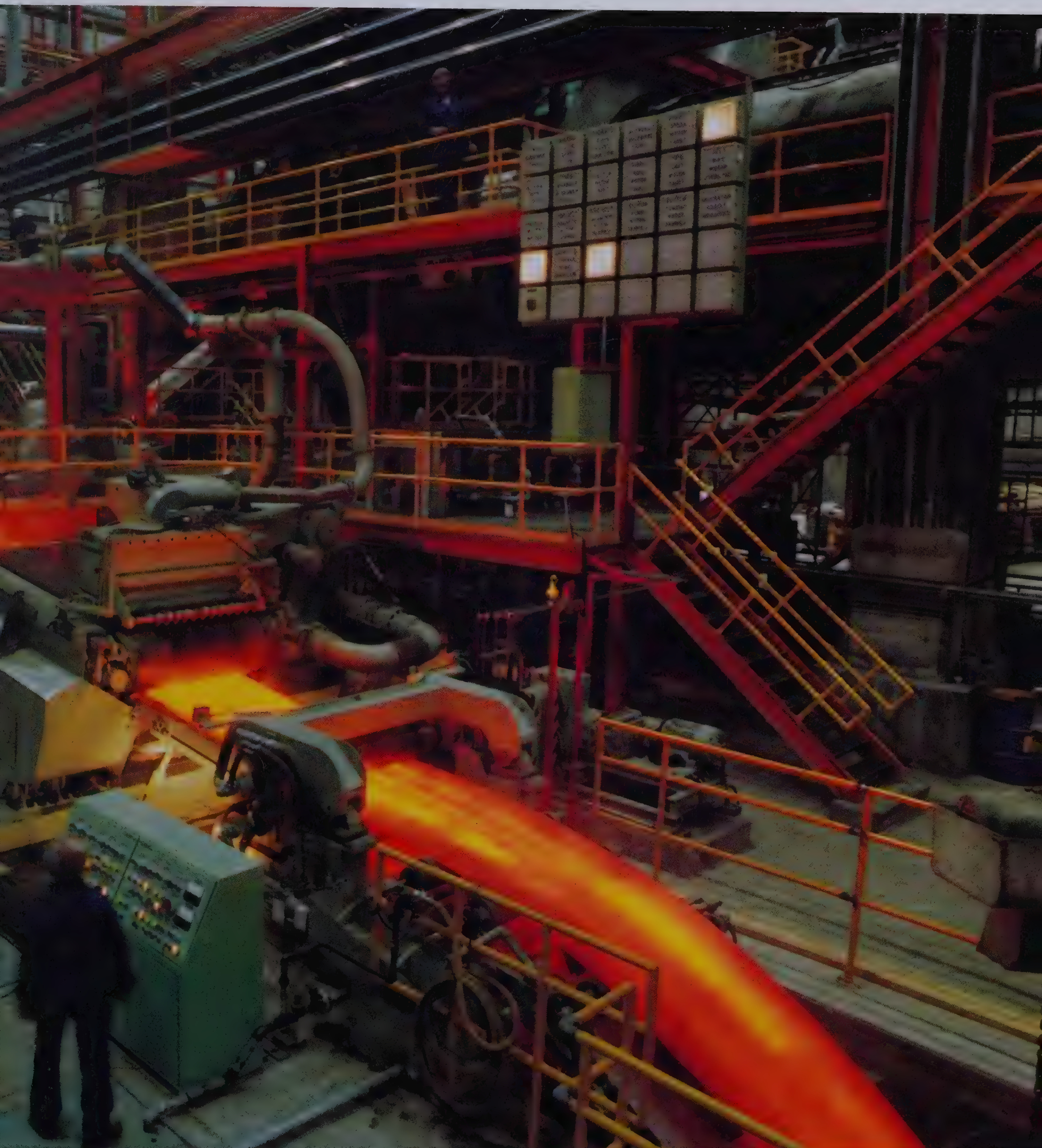
*Before income taxes and after exploration expense.

Texasgulf Metals Company had an excellent year. Sales in 1980 rose to $390.2 million, up 30.6 percent from 1979 sales of $298.8 million. Operating income increased 69.5 percent to $185.1 million, compared with $109.2 million in 1979. The year's results benefited from higher prices and moderately higher volumes.

Higher prices for silver and copper, particularly in the first quarter, contributed to the increased income. Zinc sales exceeded production, and the price improved to 41 cents a pound late in the year.

	Average Delivered Prices	
	1980	1979
Silver (oz.)	**$21.11**	$9.92
Copper (lb.)	**1.01**	.90
Zinc (lb.)	**.37**	.37

Mine and mill production was up during the year. Ore milled at Kidd Creek totalled 4,298,600 tons compared with 4,057,500 tons in 1979. The zinc plant produced 112,000 tons of zinc metal compared with 117,600 tons in 1979. Copper metal production was 68,000 tons compared with 68,100 tons in 1979. Silver metal production was 5,495,200 ounces for the year compared with 4,910,000 ounces in 1979. In 1980, Texasgulf sold 5,146,800 ounces of silver. In addition, Tg received payment for approximately 1,600,000 ounces of silver contained in lead concentrates and residues.



The first anodes at the new Kidd Creek copper smelter were cast in December.

In an ongoing underground exploration program at Kidd Creek, diamond drilling identified what is believed to be an extension of the south orebody displaced by faulting. Several drill holes below the 3,400 foot level indicate that the zone appears to top at the 3,300 foot level but has downward continuity and is open at depth. The zone has a length of 115 feet and an average width of 45 feet, with a grade averaging 8 percent copper, 1 percent zinc and 1.5 ounces of silver per ton.

Ore reserves at Kidd Creek at the end of 1980 were estimated at 107.1 million tons. Of these reserves, 96.9 million tons were classified as proved and probable, containing an estimated 5.06 percent zinc, 2.86 percent copper, 1.91 ounces of silver per ton and 0.18 percent lead. These estimates do not include ore below 5,000 feet. The Kidd Creek orebody has yet to be defined as to its depth and horizontal dimensions. Drilling and development work in the mine are continuing to better define the grade and extent of the orebody.

A "mine of the future" is provided at Kidd Creek by the stockpiling of pyrite tailings. In addition to its sulphur value, this pyrite concentrate contains about 2.5 ounces of silver per ton and additional values of zinc, copper and tin. Pyrite is also a source of energy, with one ton of pyrite essentially equivalent to one barrel of oil. Research on the processing of this pyrite to recover the metals as well as to utilize the energy content is under way.

Construction of the new Kidd Creek copper smelter and refinery is near completion. The new facility, the most technologically advanced in the world, has a design capacity of 65,000

Texasgulf Metals Company Production and Sales

	Production[1]		Sales Volumes[1]		Sales (amounts in millions)	
	1980	1979	**1980**	1979	**1980**	1979
Ore milled	**4,298,600**	4,057,500	—	—	—	—
Zinc concentrates	**387,600**	342,100	**157,600**[2]	194,500[2]	**$ 30.6**	$ 36.7
Used internally	**238,600**	229,700	—	—	—	—
Zinc metal	**112,000**	117,600	**122,300**	111,900	**91.0**	81.8
Copper metal	**68,000**	68,100	**65,100**	66,300[2]	**131.8**	118.8
Silver (troy oz.):						
Total in concentrates	**8,575,600**	6,965,700	—	—	—	—
Tolled for Tg	**5,495,200**	4,910,000	**5,146,800**	4,998,400	**108.6**	49.6
Lead concentrates	**30,600**	13,700	**30,600**	13,900	**21.4**	7.7
Cadmium (lbs.):						
Total in concentrates	**1,954,900**	1,740,400	—	—	—	—
From Tg zinc plant	**1,028,800**	1,085,700	**809,600**[2]	1,151,100[2]	**2.1**	2.8
Other sales	—	—	—	—	**4.7**	1.4
					$390.2	$298.8

[1]Short tons unless otherwise indicated.
[2]Includes purchases.

tons of refined copper per year.

Casting of anodes on the Hazelett continuous strip caster began at year end. The initial heat up of the furnaces is scheduled for March, and the entire smelter and refinery is expected to be operating in April or May. Smelting and refining costs of Kidd Creek copper will be reduced when the new smelter and refinery are in full operation.

The new smelter and refinery will also increase the recovery of copper, silver, other by-product metals and sulphuric acid. The new complex will be energy efficient and environmentally outstanding. The project is being completed on time and under the $300 million (Canadian) budget, with the engineering and construction managed by Texasgulf people.

Recent studies indicate that the capacity of the new copper smelter can be increased from 65,000 to about 100,000 tons per year through additional oxygen enrichment in the smelting process. Engineering work and pile-driving for the expansion have begun, with major construction expected in 1982.

The capacity of the Kidd Creek zinc plant is being expanded, by the addition of pressure leaching facilities, from 120,000 tons of zinc to 140,000 tons. This expansion will be completed in 1982 at a cost of about $10 million.

Development work on Kidd Creek's two underground mines continued during the year. In the No. 1 mine, routine development proceeded, and the underground backfill system was expanded. At the No. 2 mine, underground development work advanced. Installation of the underground ore crusher and its support equipment was completed in August, and the first ore was crushed in October. Production at

At the Kidd Creek metallurgical site, the new copper smelter and refinery will be in operation by mid year.

this mine is scheduled to be at full rate by the end of 1981, enabling the Kidd Creek concentrator to operate at its design capacity of nearly 5 million tons per year.

Texasgulf will be producing gold at three locations in 1981. At Iron Dyke in eastern Oregon, Texasgulf's share of concentrate production in 1980 included 4,564 ounces of gold, 5,301 ounces of silver and 287 tons of copper.

By the end of 1981, Texasgulf expects to be producing gold at two additional locations, Owl Creek in Ontario and Cripple Creek in Colorado.

Owl Creek is one of two promising gold properties being developed just west of Tg's concentrator at Kidd Creek. Under an agreement with Inco in which Texasgulf has a 60 percent interest, examination of the ore zone continues. Drill-indicated mineralization to date totals about 2.9 million tons averaging 0.15 ounces of gold per ton. About one million tons of this material, averaging 0.11 ounces of gold per ton, can be mined by open pit. Stripping the overburden began in January, 1981, with mining scheduled to start this summer. The ore can be processed through the Kidd Creek concentrator.

At Cripple Creek, under the terms of a restated joint venture agreement with Golden Cycle Gold Corporation, the production plan is based on presently indicated reserves of 300,000 tons of ore averaging 0.33 ounces of gold per ton and some 4 million tons of waste rock dumps which are believed to contain economically recoverable amounts of gold. This rock will be processed through a 300 ton per day mill beginning in late 1981. Ore production

The mine expansion program at Kidd Creek will bring the No. 2 mine into full production by the end of 1981.

from a small open-pit mine and from underground will begin by mid-1982.

The outlook for Texasgulf Metals remains excellent. Although the current price for copper is depressed, the long term outlook is bright. The growth in copper demand coincides with a lack of significant new production capacity being added anywhere in the world. In 1985, the western world will require 9.1 million metric tons of copper compared with the 7.3 million tons consumed last year. In 1990, copper required by the western world will increase to 10.5 million tons. Increases in copper prices seem inevitable.

The outlook for zinc is much improved. There is a worldwide shortage of zinc concentrates due to several years' lack of investment by producers. The price of zinc is expected to improve significantly in the near future. Zinc has been adversely affected by reduced demand in the automobile industry. However, efforts to develop new applications for zinc alloys in foundry castings and bearings are encouraging. New anti-corrosion uses for zinc also have great potential.

With outstanding reserves and additional mine and processing capacity on stream, Texasgulf Metals Company has a bright future.

Ore milled totalled 4,298,600 tons during 1980.

At Owl Creek, open pit gold mining will begin in 1981.

Texasgulf Oil and Gas Company

(dollar amounts in millions)	1980	1979	% Change
Sales	**$ 35.7**	$23.6	**+ 51.3**
Operating income*	**6.3**	1.4	**+350.0**
Net income	**5.8**	2.8	**+107.1**
Capital expenditures	**79.0**	51.1	**+ 54.6**
Assets	**155.3**	97.7	**+ 59.0**

*Before income taxes and after exploration expense.

Oil and gas sales and income improved. Sales of oil and gas increased 51.3 percent to $35.7 million compared with $23.6 million in 1979. Operating income rose to $6.3 million, compared with $1.4 million in 1979.

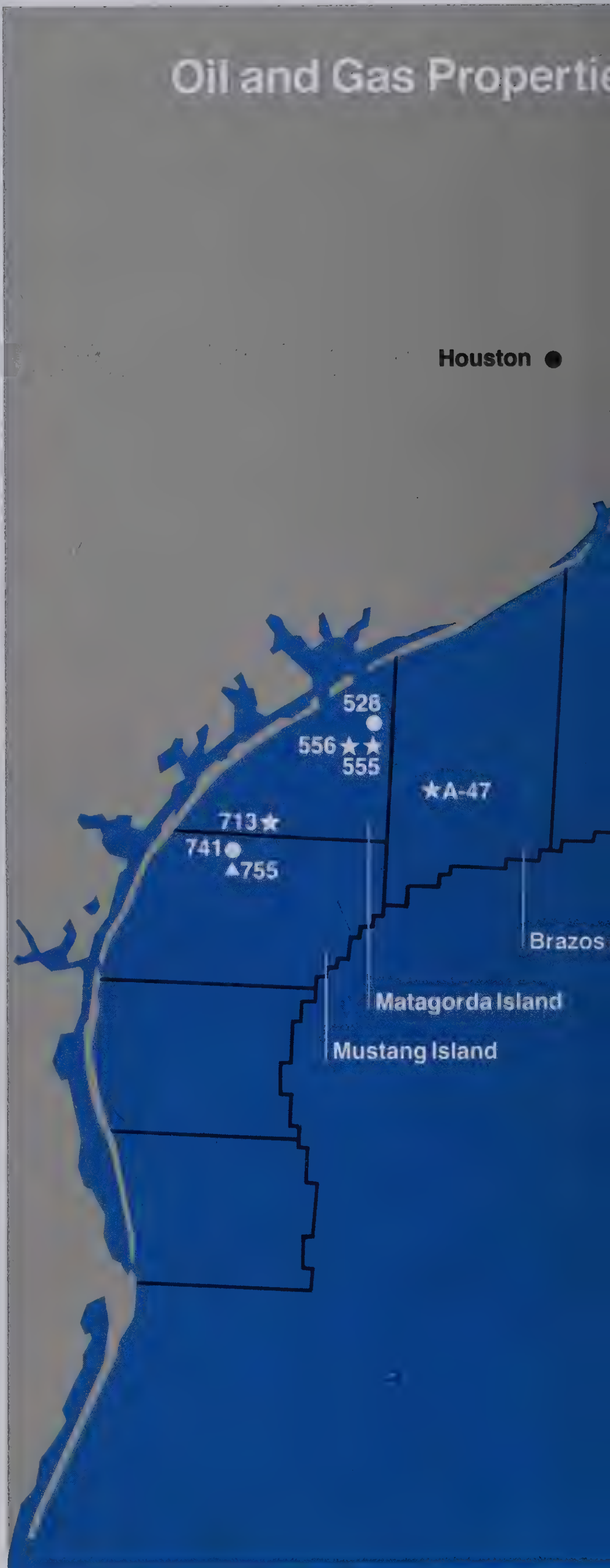
New gas production from two properties in the Gulf of Mexico came on stream in late 1980 at significantly higher prices than received for gas from older properties.

Oil production, including condensate, increased in 1980 to 482,100 barrels, 24 percent above 1979. Natural gas production was 14.4 billion cubic feet, 4 percent below that for 1979 because of lower production in Canada and from older offshore properties.

Prices for both oil and gas increased during 1980. Average realized prices were $15.97 per barrel for oil and condensate compared with $11.33 per barrel in 1979. The average realized price for natural gas was $1.94 per mcf compared with $1.28 in 1979.

Oil and gas exploration and development activities were stepped up onshore and offshore in the United States and Canada. Several important oil and gas discoveries were made in 1980, and interests in a number of new properties were acquired in the Gulf of Mexico.

In Federal lease sales during 1980, Texasgulf acquired interests in nine new properties in the Gulf of Mexico. Capital expenditures for oil and gas exploration and development during 1980 were increased to $79.0 million compared with $51.1 million in 1979 and $22.2 million in 1978.




n the Gulf of Mexico
Mobile
New Orleans
8
134
15
144
146
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59
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405
480
273
305
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303
312
864
908
Viosca Knoll
Main Pass
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A-376
396
Ewing Bank
South Pelto
gh Island East
West Cameron
Ship Shoal
East Cameron
Eugene Island
Vermilion
South Marsh Island
Gulf of Mexico
Producing
Under Development
Indicated Discoveries
Exploratory

Results of Tg oil and gas exploration and development activities were excellent during 1980, with success in 53 percent of exploration or "wildcat" wells and 69 percent of development wells.

Texasgulf has interests in 39 offshore leases in the Gulf of Mexico, in the Beaufort Sea off Prudhoe Bay, Alaska, and in the Santa Barbara Channel, offshore California. Of these properties, seven are producing gas in the Gulf of Mexico, including Ship Shoal 84 and East Cameron 104 which went into production in late 1980.

Six leases in the Gulf of Mexico are under development and should come into production at various times in 1981 and 1982. Oil or gas was discovered on six other offshore properties in late 1979, 1980 and early 1981. With 20 additional offshore leases, including 16 acquired since 1979, Texasgulf has the strongest offshore exploration and development potential in its history.

Texasgulf also conducted an active onshore drilling program. In the Provost field of Alberta, Texasgulf completed 12 oil and three gas wells, bringing to 99 the number of wells operated by Tg in this area.

Two gas discoveries were drilled on farmouts from Texasgulf, one in the Prophet River area of British Columbia by Sun Oil and the other in the Ricinus area of Alberta by Amoco. Both tested gas in commercial quantities. Further development is pending. Also in Alberta, Texasgulf participated in several indicated discoveries in the Deep Basin area in an exploration program being conducted by Dome Petroleum.

A number of discoveries were made in the United States, including a gas discovery

Offshore oil and gas discoveries increased.

Onshore drilling was active in many areas.

in Brazoria County, Texas. Initial deliveries of gas were begun from four completed wells on the Red Oak property in Oklahoma.

Texasgulf will acquire an 18.75 percent interest in 170,847 acres in the overthrust belt in central Montana by paying the costs of a 120-mile seismic program.

Texasgulf oil and gas reserves increased in 1980 as the result of the year's discoveries. As calculated by independent reservoir engineers, proved reserves at December 31, 1980 were in excess of 5.6 million barrels of oil and 212.6 billion cubic feet of gas. Comparable reserves at the end of 1979 were 4.1 million barrels of oil and 197.3 billion cubic feet of gas.

The major contributors to the addition in Texasgulf's gas reserves were Eugene Island 108, Matagorda Island 556, Brazos A-47 and Ewing Bank 305. The principal properties accounting for the increase in oil reserves were Main Pass 303, Main Pass 59 and the Provost field in Alberta.

Texasgulf Oil and Gas sales and income will improve dramatically over the next three years as new properties come into production at much higher prices.

Expenditures for oil and gas exploration and development will continue to increase. As a result of these expenditures, Texasgulf Oil and Gas Company revenues should rise sharply with the ultimate goal of making it as important a contributor to profits as the Chemicals and Metals companies.

Texasgulf Oil and Gas Company Production and Sales

	Production and Sales Volumes		Sales (amounts in millions)	
	1980	1979	**1980**	1979
Oil and condensate (barrels)	**482,100**	388,300	**$ 7.7**	$ 4.4
Gas (million cubic feet)	**14,399**	14,957	**28.0**	19.2
			$35.7	$23.6

Wells Drilled and Acreage Held

	Wells Drilled in 1980		Total Acreage Held at Year End		Developed Acreage Held at Year End	
	Wildcat	Development	Gross	Net	Gross	Net
U.S. except Alaska	31	21	517,845	162,729	22,432	5,210
Canada	13	32	549,838	217,820	81,620	32,253
Alaska	0	0	13,134	6,271	—	—
Nicaragua*	0	0	2,470,402	308,800	—	—
Pakistan	0	0	144,896	25,357	—	—
Total	44	53	3,696,115	720,977	104,052	37,463

*The status of rights in Nicaragua is uncertain because of political conditions.

Exploration and Development

Texasgulf's minerals exploration activities were at a new high in 1980. Increased expenditures for minerals exploration reflect Texasgulf's long-standing commitment to growth and diversification through finding and developing natural resources. Texasgulf has found nearly everything it produces. In 1980, Tg's principal exploration activities were concentrated in the United States and Canada, with some work in Australia, South Africa, Spain and Ireland.

Exploration for a wide variety of minerals is being undertaken. As shown on the accompanying map, Texasgulf minerals exploration projects cover a wide range, in both geographic terms and the diversity of minerals sought.

Gold exploration developments occurred in several areas. In Canada, near the Kidd Creek concentrator on land wholly owned by Texasgulf, exploration continued on the Hoyle Pond gold prospect which consists of three parallel, near vertical, northeast trending zones. The middle zone has a strike length of at least 1,200 feet. Drilling during 1980 identified an average grade of 0.45 ounces of gold per ton over an average drill length of 7.3 feet in the middle zone, an average of 0.30 ounces of gold per ton over an average drill length of 12 feet in the south zone, and an average of 0.18 ounces of gold per ton over an average drill length of 25 feet in the north zone. None of the three zones has been

completely delineated. Drilling is continuing on this promising prospect which could be an underground mine with the ore processed through the adjacent Kidd Creek concentrator or a new one.

In South Africa, at the Bank Gold prospect, 35 miles southwest of Johannesburg, a drill hole on Texasgulf property encountered the Ventersdorp Contact Reef at a depth of 3,150 feet with a 13-inch mineralized interval. Three side-track, or deflection, holes were also drilled and intersected the Reef within a few meters of the first hole. The average grade in these holes over a mining height of 39 inches (one meter) would be 1.10 ounces of gold and 0.34 ounces of silver per metric ton. The holes were drilled on the southern portion of a narrow 135 acre strip of land owned by Texasgulf, 2,600 feet north of the East Driefontein gold mine. Texasgulf also has mineral rights or options on several other tracts in the immediate area which are being explored.

Texasgulf discovered and acquired a large manganese deposit in South Africa, 300 miles west of Johannesburg, which is estimated to contain about 300 million tons of material with a grade of 34 percent manganese.

In Western Australia, Texasgulf acquired 26 gold mining leases of about 24 acres each in the Leonora area, 150 miles north of Kalgoorlie. One of the leases adjoins the lease on which gold nuggets were discovered by others in September, 1980. Another 35 gold mining leases were acquired in the Agnew area, about 85 miles northwest of Leonora, including two on which gold nuggets had been found. Additional gold prospects are being acquired in the Kalgoorlie area. Some trenching and sampling has begun on several of the new leases.

Engineering and construction activities increased during 1980. Texasgulf has placed special emphasis on managing its major expansions with its own engineering and construction personnel.

Among the major projects for which the engineering and construction group has responsibility are the copper smelter and refinery at Kidd Creek, the phased expansion of capacity at Lee Creek, construction of the Eugene Island 108 gas production platform offshore Louisiana, the sulphur and ammonia terminals at Morehead City, North Carolina, and the expansion of the Wyoming soda ash plant. The group has also begun work on projects which will increase capacity at Lee Creek and further expand the copper smelter and refinery at Kidd Creek, including a feasibility study for a precious metals refinery.

Texasgulf's research activities have been strengthened at the Golden, Colorado laboratory and at Kidd Creek. Research staffs have been increased, new equipment added and an expansion of Tg's research laboratory at Golden is scheduled to be completed in 1982. Among the company's research projects are the recovery of sulphur, silver, zinc, copper and tin values from Kidd Creek pyrite, leach testing of Wyoming uranium cores and pilot testing of a new leach circuit for the soda ash expansion.

The recovery of platinum group and precious metals using expanded, precessive, plasma arc patented equipment looks very promising. Texasgulf has the exclusive, worldwide license rights. Negotiations are under way to license the technology to others for the recovery of platinum group metals from secondary sources, including automotive catalytic converters. Royalties would be shared with Tetronics Research and Development Co., Ltd., the firm that patented the equipment involved.

An important area of continuing business development for Texasgulf is the search for new uses and new markets for zinc. Texasgulf's efforts have resulted in new applications for zinc in metallizing, alloy bearings and foundry castings. Zinc usage in these applications has a promising future.

Production of Principal Products 1976–1980

(Figures are in short tons unless otherwise noted and indicate Texasgulf's share)

Product	**1980**	1979	1978	1977	1976
Texasgulf Chemicals Company					
Phosphate rock:					
Total	**4,320,700**	3,850,800	3,514,100	2,590,600	2,151,500
Used internally	**3,193,200**	3,009,500	2,637,100	2,216,400	2,187,100
Phosphoric acid (as 54% P_2O_5):					
Total	**1,347,600**	1,270,800	1,117,400	926,000	950,800
Used internally	**726,400**	650,200	565,000	449,900	455,800
Solid phosphate fertilizers	**772,700**	668,400	615,500	484,200	517,700
Feed-grade phosphates	**99,100**	96,800	76,100	60,100	49,300
Sulphur (long tons):					
Total including purchases	**2,235,800**	2,386,600	2,027,900	2,422,300	2,601,300
Used internally	**651,500**	553,900	514,700	422,600	432,300
Soda ash	**877,000**	937,600	780,500	406,700	37,000
Potash	**655,000**	701,900	694,000	614,000	598,600
Texasgulf Metals Company[1]					
Zinc concentrates:					
Total	**387,600**	342,100	335,400	436,300	474,200
Used internally	**238,600**	229,700	171,700	198,800	222,300
Zinc metal (from Tg zinc plant)	**112,000**	117,600	80,300	91,100	107,700
Copper metal	**68,000**	68,100	53,000	57,100	53,400
Silver (troy ounces):					
Total in concentrates	**8,575,600**	6,965,700	7,825,600	8,924,000	10,415,000
Silver tolled for Tg	**5,495,200**	4,910,000	5,351,800	5,332,300	5,941,400
Lead concentrates	**30,600**	13,700	20,200	31,100	38,600
Cadmium metal (lbs):					
Total in concentrates	**1,954,900**	1,740,400	1,680,200	2,172,000	2,360,000
Cadmium (from Tg zinc plant)	**1,028,800**	1,085,700	699,800	792,200	1,108,400

[1]Excludes Iron Dyke

Texasgulf Oil and Gas Company					
Oil and condensates (barrels)	**482,100**	388,300	260,400	258,500	260,300
Gas (million cubic feet)	**14,399**	14,957	15,906	18,686	14,905

Financial Review

Summary

Texasgulf's sales in 1980 exceeded $1 billion, and total assets increased to more than $2 billion for the first time. Net income for 1980 increased to a record $325.6 million. Higher prices accounted for most of the improvement in sales and income.

Other factors contributing to the increase in net income included increased sales volumes attributable to expansion programs, a change in accounting for investment tax credits, the sale of Tg's interest in Cliffs Western Australian Mining Co., and the capitalization of interest costs on major construction projects.

The increase in revenues was partially offset by higher costs and expenses. Unit costs for nearly all major products were higher. Income taxes were also higher, primarily due to increased pre-tax earnings.

Working capital amounted to $292.3 million at year end with a current ratio of 2.3 to 1 compared with 2.7 to 1 at the end of 1979. Accounts receivable increased to $148.4 million, in line with higher sales. Inventories of minerals and products were $221.5 million compared with $204.6 million in 1979.

Stockholders' equity increased $297.1 million to $1,167.6 million at year end. Return on average stockholders' equity was 32.0 percent in 1980, up from 16.7 percent in 1979. At year end, total debt was 23.0 percent of total adjusted capitalization, which represents the combination of stockholders' equity and debt outstanding.

Higher cash requirements are expected in 1981 because of the expansion programs. It is anticipated that these requirements will again be met largely from cash generated from operations. However, some external financing may be required. Ample bank lines of credit are available, if needed.

Selected Financial Data

	(amounts in millions except per share data)		
	1980	1979	1978
Sales	**$1,090.1**	$ 789.3	$ 602.3
Other revenues	**41.9**	12.3	6.6
Income from operations	**286.5**	136.9	50.1
Cumulative effect of accounting change	**39.1**	—	—
Net income	**325.6**	136.9	50.1
Net income per common share:			
Primary	**9.70**	4.05	1.33
Fully diluted	**8.68**	3.71	1.33
Dividends paid per share:			
Common	**1.50**	1.20	1.20
Preferred	**3.00**	3.00	3.00
Working capital	**292.3**	266.6	233.0
Total assets	**2,010.4**	1,648.1	1,513.8
Long term debt, less current maturities	**344.5**	351.2	357.4
Stockholders' equity	**1,167.6**	870.5	766.4
Book value per common share at December 31.	**31.23**	22.60	19.66

Results of Operations

Sales increased 125.9 percent during the past three years to $1.1 billion in 1980 from $482.6 million in 1977. The increase during each of the past three years, when compared with the prior year, was 38.1 percent in 1980, 31.0 percent in 1979 and 24.8 percent in 1978. Increased sales prices have accounted for 78.1 percent of the increase during the three year period. Increased sales volumes have accounted for the balance of the increase. During this period, Chemicals Company sales increased 154.2 percent, primarily due to increased sales prices and volumes for sulphur, solid fertilizer and phosphoric acid products. Metals Company sales increased 96.1 percent, primarily due to increased sales prices for silver and copper. Oil and Gas Company sales increased 58.7 percent.

Royalties, interest and other income included higher production royalties and increased interest earned on short term investments in each of the past three years. The increase in 1980 of $29,590,000 includes $18,862,000 attributable to the sale of the company's interest in Cliffs Western Australian Mining Co. Pty. Ltd.

Operating, delivery and other related costs and expenses increased 77.5 percent during the past three years to $636.8 million in 1980 from $358.7 million in 1977. The increase in costs during each of the past three years, when compared with the prior year, was 22.2 percent in 1980, 12.4 percent in 1979 and 29.2 percent in 1978. Unit costs for labor, materials and energy have accounted for 71.9 percent of the increase. The balance was attributable to increased sales volumes.

Exploration expense increased during the past three years, primarily due to the higher level of expenditures and activities.

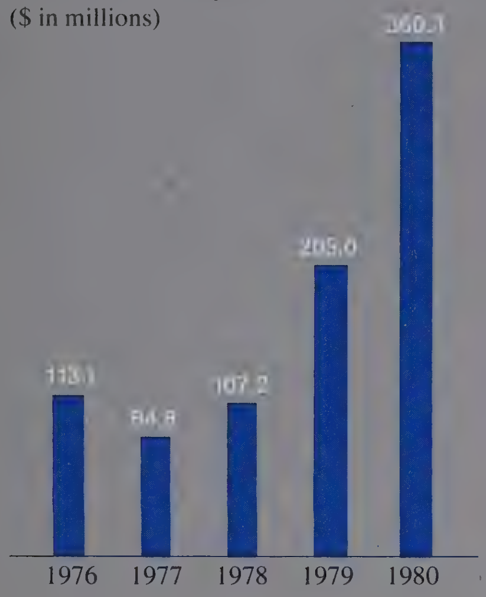
Selling, general and administrative expense increased to $45.5 million in 1980 compared with $24.0 million in 1977, an increase of 89.6 percent. Excluding foreign currency translation gains and losses, the increase in expenses was 64.8 percent. Reflected in this increase are higher personnel and administrative costs.

Interest incurred on borrowings during the past three years remained relatively constant, with a decline in 1980 principally due to the lower amounts of borrowings outstanding. Interest incurred amounted to $31,535,000 in 1980, $34,985,000 in 1979 and $35,045,000 in 1978. In 1979, the company adopted Financial Accounting Standards Board Statement No. 34 and capitalized interest on major construction projects in process. As a result, interest charged directly to operations in 1980 and 1979 was significantly reduced.

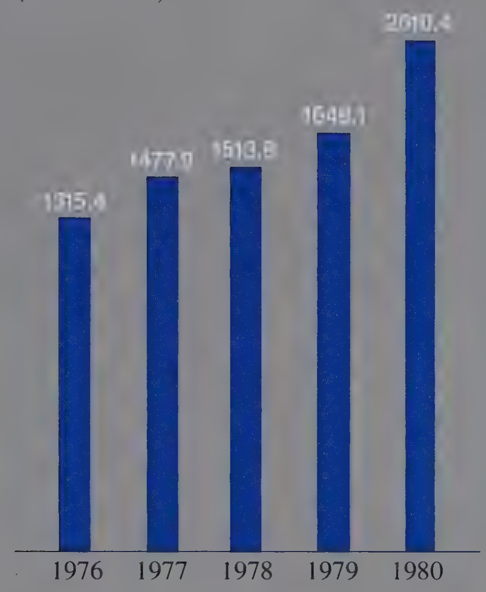
Income taxes increased to $134.8 million in 1980, primarily due to increased pre-tax income. Income taxes were 32.0 percent of pre-tax income in 1980, 34.4 percent in 1979 and 26.0 percent in 1978. Income taxes in 1980 were affected by the change in the method of accounting for investment tax credits to the flow-through method which is the prevailing method in industry. Under the flow-through method, investment tax credits are reflected in net income in the year the qualifying investment is made, rather than by amortizing the credits over the estimated lives of the equipment. With improved earnings, the prior uncertainty as to the ability of the company to fully utilize investment tax credits in the time allowed disappeared in 1980, making it appropriate to make the change.

For information relating to the effect of inflation on the company's reported net income and other financial information prepared in accordance with the rules mandated by the Financial Accounting Standards Board, see note 12 on pages 45-46.

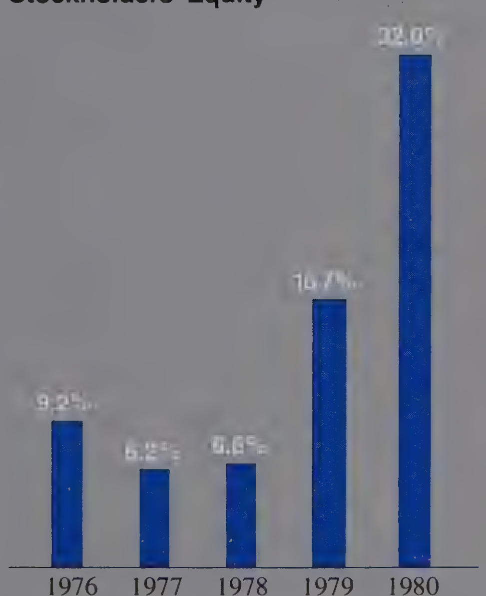
Working Capital Provided from Operations
($ in millions)



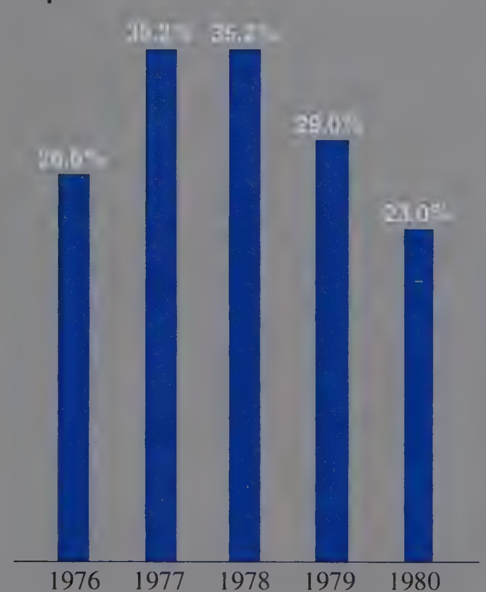
Total Assets
($ in millions)



Return on Average Stockholders' Equity



Total Debt/Total Adjusted Capitalization



Liquidity and Capital Resources

Texasgulf ended 1980 in a strong financial position. Increased generation of funds by the company's operations totalled $360.3 million in 1980, up from $205.0 million in 1979. This increase in funds provided by operations made new borrowing unnecessary despite a level of capital expenditures more than twice that of 1979.

Stockholders' equity at the end of 1980 increased to $1,167.6 million compared with $870.5 million at the end of 1979, while total assets rose to $2,010.4 million, up from $1,648.1 million at the 1979 year end.

Working capital provided from operations of $360.3 million in 1980 was sufficient to finance the heavy capital expenditures of $352.1 million. The comparable totals for 1979 were $205.0 million in working capital provided from operations and $165.0 million in capital expenditures.

The company's improved financial position was evident in the $49.0 million in short term investments compared with $4.0 million at the end of 1979.

Texasgulf's strong performance improved the company's financial ratios for 1980. Total debt to total adjusted capitalization decreased to 23.0 percent compared with 29.0 percent for 1979. Coverage of fixed charges, including preferred dividend requirements, was 9.0 times compared with 4.3 times in 1979. Working capital amounted to $292.3 million at year end with a current ratio of 2.3 to 1, compared with 2.7 to 1 at the 1979 year end.

The factors favorably affecting Texasgulf's financial condition in 1980 are expected to continue in 1981, making it possible to finance a further high level of capital expenditures largely through internal generation of funds. Bank lines of credit totalling $150 million, however, are available if needed. This strong financial position will enable the company to pursue growth opportunities.

Financing

Long term debt was reduced $6.3 million in 1980 through sinking fund and scheduled repayments and purchases of debentures.

Stockholders provided $22.7 million in additional equity during 1980 through their participation in Texasgulf's dividend reinvestment plan. Under the plan, stockholders can reinvest dividends on common and preferred stock to acquire additional shares of the company's common stock at 95 percent of the market price. Additionally, cash may be added to purchase common shares at 100 percent of the market price. Shares issued under this plan are newly issued and result in increased stockholders' equity. A major portion of this new equity in 1980 resulted from the reinvestment of dividends by Texasgulf's major stockholder, Canada Development Corporation. At December 31, 1980, CDC, through subsidiaries, held about 33 percent of Texasgulf's outstanding common shares and about 49 percent of the preferred shares.

Capital Expenditures

Additions to capital assets were $352.1 million in 1980 compared with $165.0 million in 1979. Interest capitalized in 1980 amounted to $29.3 million compared with $20.5 million in 1979.

Metals Company capital expenditures in 1980 totalled $133.8 million, up from $68.3 million in 1979. The total included $86.9 million for construction work on the copper smelter and refinery and $23.4 million on the mine and mill expansion at Kidd Creek. Metals exploration required $12.9 million. Capital outlays for normal operations amounted to $10.6 million.

Chemicals Company capital expenditures increased to $135.2 million in 1980, up from $44.6 million in 1979. Expansion of Lee Creek phosphate operations required $61.7 million. Purchase of 245 sulphur tank cars amounted to $14.8 million. Construction of a new sulphur terminal at Tampa, Florida cost $6.8 million. Capital outlays for normal operations of phosphate, sulphur, soda ash, potash and other Chemicals operations totalled $51.9 million.

Oil and Gas Company capital expenditures were $79.0 million in 1980 compared with $51.1 million in 1979. The largest expenditure was for purchase of leases in the Gulf of Mexico, totalling $34.5 million. Oil and Gas production requirements in the United States and Canada were $37.2 million, with explora-

tion costs totalling $7.3 million.

Capital expenditures are expected to rise in 1981, amounting to more than $480 million, including capitalized interest of about $31 million. This level of expenditures covers major projects already committed.

Capital expenditures by the Metals Company in 1981 will include $28 million for completion of the copper smelter and refinery at Kidd Creek and $30 million for its startup. Mine development will require about $12 million.

Plans of the Chemicals Company in 1981 include $102 million for expansion of phosphate production at Lee Creek. Construction of ammonia terminal facilities in North Carolina will require $8 million. Expenditures for other Chemicals operations will amount to about $99 million.

Oil and Gas capital and property acquisition expenditures in 1981 are budgeted at $100 million, of which $65 million is for exploration and $35 million for production in the United States and Canada.

Dividends

Dividend payments on common and preferred stock amounted to $57.1 million in 1980. Dividends on common stock paid during the year increased from $1.20 in 1979 to $1.50 in 1980. Quarterly payments in 1980 were made at the rate of 30 cents per share for the first quarter and 40 cents for each of the final three quarters.

A dividend of 40 cents per share for the first quarter of 1981 has been declared. Assuming favorable conditions at the time, the Board of Directors intends to declare a quarterly dividend of 50 cents per pre-split share of the common stock outstanding on May 15 (see page 5).

The dividend rate is regularly reviewed by the Board of Directors to assure that it is appropriate in view of present and future earnings, capital requirements and the long term growth objectives of the company in the interest of all stockholders. The company's policy has been to reinvest a substantial portion of earnings for future growth.

Quarterly Financial Highlights (Unaudited)

	(amounts in thousands)			Net Income Per Common Share			
1980	**Sales**	**Operating Income***	**Net Income**	**Primary**	**Fully Diluted**	**Common Dividends**	**Preferred Dividends**
1st Quarter	$ 280,003	$123,249	$116,612	$3.55	$3.13	$ .30	$ .75
2nd Quarter	240,567	84,987	59,137	1.75	1.58	.40	.75
3rd Quarter	285,726	99,893	68,893	2.02	1.81	.40	.75
4th Quarter	283,839	115,359	80,909	2.38	2.16	.40	.75
Total	$1,090,135	$423,488	$325,551	$9.70	$8.68	$1.50	$3.00
1979							
1st Quarter	$ 174,307	$ 41,347	$ 25,275	$ .73	$ .69	$ .30	$ .75
2nd Quarter	203,316	52,435	32,295	.96	.88	.30	.75
3rd Quarter	191,323	56,632	35,117	1.04	.96	.30	.75
4th Quarter	220,310	72,607	44,180	1.32	1.18	.30	.75
Total	$ 789,256	$223,021	$136,867	$4.05	$3.71	$1.20	$3.00

*Before interest expense and income taxes.

Consolidated Balance Sheets

Assets	As of December 31 1980	1979
	(amounts in thousands)	
Current Assets		
Cash	$ 12,235	$ 21,634
Short term investments	49,000	4,000
Accounts receivable—customers, less allowance of $2,027 in 1980 and $1,376 in 1979	148,442	126,476
Other receivables	23,322	18,826
Inventories		
Minerals and products	221,504	204,607
Materials and supplies	67,067	44,548
Total Current Assets	521,570	420,091
Investments, Advances and Other Assets		
Investments in and advances to affiliates	7,306	32,712
Other assets	65,864	68,302
	73,170	101,014
Property, Plant and Equipment, at cost		
Lands, contract rights and development	353,289	296,681
Plants, buildings, machinery and equipment	1,297,740	1,053,163
	1,651,029	1,349,844
Less accumulated depreciation and amortization	350,453	311,039
	1,300,576	1,038,805
Unproved properties and exploration projects, less allowance for exploration costs of $32,160 in 1980 and $35,453 in 1979	115,067	88,171
	1,415,643	1,126,976
Total Assets	$2,010,383	$1,648,081

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	As of December 31 1980	1979
	(amounts in thousands)	
Current Liabilities		
Current maturities of long term debt	**$ 4,910**	$ 4,849
Accounts payable—trade	**68,371**	50,331
Accrued liabilities	**64,731**	49,654
Income taxes payable	**84,904**	41,584
Deferred income taxes applicable to current assets	**6,350**	7,100
Total Current Liabilities	**229,266**	153,518
Long Term Debt, less current maturities	**344,450**	351,169
Income Taxes and Other Non-current Liabilities	**43,834**	28,774
Deferred Income Taxes	**225,255**	244,164
Stockholders' Equity		
Preferred stock $1 par value, $3.00 Convertible Cumulative Series A Authorized 5,000,000 shares, issued and outstanding 2,468,880 shares in 1980 and 2,999,900 shares in 1979	**120,911**	146,922
Common stock, without par value— Authorized 45,000,000 shares, issued as follows:		

	1980	1979
Outstanding	**33,429,916**	31,885,571
In treasury	**3,222,392**	3,406,926
Issued	**36,652,308**	35,292,497

	1980	1979
Common stock (issued)	**92,337**	43,617
Contributed capital	**17,470**	12,587
Retained earnings	**956,563**	688,151
	1,187,281	891,277
Less cost of common stock in treasury	**19,703**	20,821
	1,167,578	870,456
Total Liabilities and Stockholders' Equity	**$2,010,383**	$1,648,081

Consolidated Statements of Income

	Year Ended December 31 1980	1979	1978
	(amounts in thousands)		
Sales	**$1,090,135**	$789,256	$602,253
Royalties, Interest and Other Income	**41,940**	12,350	6,623
	1,132,075	801,606	608,876
Costs and Expenses			
Operating, delivery and other related costs and expenses	**636,790**	521,034	463,449
Exploration	**26,253**	23,445	17,766
Selling, general and administrative	**45,544**	34,106	24,910
Interest	**2,187**	14,504	35,045
Income taxes	**134,800**	71,650	17,600
	845,574	664,739	558,770
Income before Cumulative Effect of Change to Flow-Through Method of Accounting for Investment Tax Credits	**286,501**	136,867	50,106
Cumulative Effect of Change to Flow-Through Method of Accounting for Investment Tax Credits	**39,050**	—	—
Net Income	**$ 325,551**	$136,867	$ 50,106
Net Income Per Common Share			
Primary	**$9.70**	$4.05	$1.33
Fully Diluted	**$8.68**	$3.71	$1.33
Average Number of Common Shares Outstanding	**32,742,573**	31,543,558	30,910,542

Consolidated Statements of Retained Earnings

	1980	1979	1978
	(amounts in thousands)		
Retained Earnings January 1	**$688,151**	$598,136	$594,103
Net Income	**325,551**	136,867	50,106
Cash Dividends			
—preferred ($3.00 per share each year)	**(7,977)**	(9,000)	(9,000)
—common ($1.50 per share in 1980 and $1.20 per share in 1979 and 1978)	**(49,162)**	(37,852)	(37,073)
Retained Earnings December 31	**$956,563**	$688,151	$598,136

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

	Year Ended December 31 1980	1979	1978
	(amounts in thousands)		
Funds were provided from			
Net income	**$325,551**	$136,867	$ 50,106
Non-cash charges (credits) to income			
Depreciation, amortization and exploration	**49,594**	41,619	40,406
Cumulative effect of change to flow-through method of accounting for investment tax credits	**(39,050)**	–	–
Deferred income taxes	**19,400**	23,650	17,900
Other items—net	**4,765**	2,816	(1,202)
Working capital provided from operations	**360,260**	204,952	107,210
Transfer and issuance of common stock	**54,721**	14,040	10,225
Increase (decrease) in income taxes payable	**43,320**	37,589	(1,538)
Decrease in investments in and advances to affiliates	**25,994**	1,034	4,059
Increase in accounts payable—trade	**18,040**	9,801	2,372
Increase in accrued liabilities	**15,077**	13,419	922
Increase (decrease) in income taxes and other non-current liabilities	**15,060**	6,715	(4,104)
Disposition of property, plant and equipment	**13,805**	27,836	15,809
Total funds provided	**546,277**	315,386	134,955
Funds were required for			
Additions to property, plant and equipment	**352,065**	165,004	90,119
Dividends	**57,139**	46,852	46,073
Increase (decrease) in inventories	**39,416**	10,793	(35,017)
Preferred stock conversions	**26,011**	–	–
Increase in accounts receivable—customers	**22,631**	24,543	27,524
Repayment of long term debt	**6,328**	6,958	7,533
Increase (decrease) in other receivables	**4,496**	(1,102)	10,710
Increase in other assets	**2,590**	2,798	11,060
Repayment of (increase in) short term loans	**–**	53,500	(18,300)
Total funds required	**510,676**	309,346	139,702
Resulting in an increase (decrease) in cash and short term investments	**35,601**	6,040	(4,747)
Balance, beginning of year	**25,634**	19,594	24,341
Balance, end of year	**$ 61,235**	$ 25,634	$ 19,594

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Accounting Policies and Related Matters

A. Change in Accounting Policy. During 1980, the company adopted, as of January 1, 1980, the flow-through method of accounting for investment tax credits. Under the flow-through method, which is the prevailing method in industry, investment tax credits are reflected in net income in the year the qualified investment is made, rather than by amortizing the credits over the estimated lives of the equipment. The company previously followed the deferral method.

As a result of the change, income for 1980, before the cumulative effect of the accounting change for prior years, increased by $15,800,000 (48 cents per share). In addition, the pre-1980 cumulative effect of the accounting change increased earnings for 1980 in the first quarter by $39,050,000 ($1.21 per share). Quarterly net income per share for 1980 increased as follows: first quarter $1.33 ($1.21 cumulative effect), second quarter 13 cents, third quarter 8 cents and 15 cents in the fourth quarter. If the flow-through method had been in effect, 1979 and 1978 net income would have been increased by $2,300,000 (7 cents per share) and $2,050,000 (7 cents per share) respectively. Quarterly net income per share for 1979 would have been increased as follows: first quarter 1 cent, second quarter 2 cents, third quarter 2 cents and 2 cents in the fourth quarter.

B. Principles of Consolidation. The accompanying consolidated financial statements include the accounts of Texasgulf Inc. and all of its subsidiaries. All significant inter-company balances and transactions of the consolidated companies are eliminated. Investments in affiliates (20 percent to 50 percent owned) are carried on the equity basis. There is no significant difference between the carrying value of the company's investments in these affiliates and its equity in their net assets.

Royalties, interest and other income for 1980 includes $18,862,000 from the sale of the company's 35 percent interest in Cliffs Western Australian Mining Co. Pty. Ltd. As a result of the sale, net income was increased by $10, 662,000 or 33 cents per share.

C. Inventories. Inventories of minerals above ground and products are stated at the lower of average cost or market. Materials and supplies are stated at average cost.

D. Development Costs. Expenditures necessary to prepare an orebody for production are capitalized prior to initial production. Thereafter, expenditures of a similar nature are charged to operations except for major expenditures expected to benefit several years' production which are capitalized.

E. Depreciation and Amortization. The company's policy is to depreciate and amortize producing property, plant and equipment over the estimated lives of such assets by the application of the unit-of-production method in the case of mines, oil and gas properties and facilities and the straight-line method in the case of manufacturing facilities. In arriving at rates under the unit-of-production method, commercially recoverable product reserves are estimated by the company's geologists and engineers and outside consultants. Such estimates are revised as data become available to warrant revision. Under the straight-line method, the annual rates applied to the cost of the assets give effect to wear and tear, deterioration from natural causes and normal obsolescence.

F. Exploration. All expenditures on major mineral exploration projects are capitalized pending determination of commercially recoverable reserves. The company accumulates costs initially in connection with broad areas of interest prior to property acquisition. Thereafter, costs are allocated to properties acquired and ultimately to specific prospects. Major projects determined to be commercially unsuccessful are charged to expense, and allowances are provided for all expenditures on minor projects.

The company accounts for its oil and gas activities using the successful efforts method. Under this method, all exploration costs other than intangible drilling costs and costs related to obtaining property interests are expensed as incurred. Intangible drilling costs are deferred until proved reserves are established. Costs of obtaining property interests are capitalized subject to the establishment of allowances for impairment in value based primarily on the results of exploration. General administrative expense relating to overall exploration efforts is charged to operations as incurred.

G. Capitalized Interest. In 1979, the company adopted Financial Accounting Standards Board Statement No. 34 and capitalized interest on major construction projects in progress. Interest incurred in 1980 and 1979 amounted to $31,535,000, and $34,985,000 respectively. Interest capitalized in 1980 and 1979 amounted to $29,348,000 and $20,481,000 respectively.

H. Income Taxes. The company has deferred to future periods the income tax effect resulting from timing differences between financial statement pre-tax income and taxable income. The deferred tax on these differences pertains principally to depreciable plant and equipment, development costs incurred on several properties, taxes and royalties included in inventories, exploration costs and Canadian federal branch tax.

I. Exchange Gain or Loss. The aggregate exchange gain (loss) included in determining net income amounted to $814,000 in 1980, ($775,000) in 1979 and $4,087,000 in 1978.

2. Income Taxes

Pre-tax income was contributed from:

	(amounts in thousands)		
	1980	1979	1978
U.S. operations	$181,246	$ 84,288	$ 9,699
Foreign operations	240,055	124,229	58,007
	$421,301	$208,517	$67,706

Income tax expense comprises:

	(amounts in thousands)		
	U.S. Federal	Foreign	Total
1980			
Current taxes	$20,950	$94,450	$115,400
Deferred taxes	26,650	(7,250)	19,400
	$47,600	$87,200	$134,800
1979			
Current taxes	$ 7,600	$40,400	$ 48,000
Deferred taxes	12,900	10,750	23,650
	$20,500	$51,150	$ 71,650
1978			
Current taxes	$ 200	$ (500)	$ (300)
Deferred taxes	1,500	16,400	17,900
	$ 1,700	$15,900	$ 17,600

Deferred tax expense results from timing differences in the recognition of transactions for tax return and financial statement purposes. The nature and the tax effect of these differences in 1980, 1979 and 1978 were as follows:

	(amounts in thousands)		
	1980	1979	1978
Excess of tax over book depreciation:			
U.S.	$23,100	$13,200	$ 2,850
Foreign	(9,200)	8,150	14,450
Capitalized interest	3,500	7,750	—
Intangible drilling	7,650	3,650	2,850
Minimum tax	(6,950)	(5,200)	2,550
Other	1,300	(3,900)	(4,800)
	$19,400	$23,650	$17,900

Total tax expense of 32 percent of pre-tax income for 1980, 34 percent for 1979 and 26 percent for 1978 is less than the amount which would be provided by applying the U.S. federal income tax rate of 46 percent for 1980 and 1979 and 48 percent for 1978. The lower rates are primarily the result of percentage depletion deductions (11 percent in 1980, 15 percent in 1979 and 22 percent in 1978) and 3 percent in 1980 due to utilization of investment tax credits. The benefit in 1979 was reduced by restrictions on utilization of available foreign tax credits.

At December 31, 1980, the company had investment tax credit carryforwards of approximately $18,800,000 available as credits against future U.S. federal income taxes. Of this amount, $2,400,000 expires in 1983, $3,450,000 in 1984, $1,250,000 in 1985, $3,150,000 in 1986 and $8,550,000 in 1987. The company also had investment tax credit carryforwards of approximately $16,550,000 (Canadian) available as credits against future Canadian federal income taxes. Of this amount, $4,800,000 expires in 1984 and $11,750,000 expires in 1985.

The audit of the company's U.S. federal income tax returns for the years 1966 through 1973 has recently been completed, subject to administrative review, with a number of issues raised by the Internal Revenue Service resolved in the company's favor. The company expects to receive an assessment later this year for about $25 million for tax and interest relating to the unresolved issues. These issues will be litigated. The company's treatment of taxes paid to Ontario pursuant to the Ontario Mining Tax Act on income from the Kidd Creek Mine remains the most significant unresolved issue. The company has claimed this tax as a credit against U.S. income taxes. The Service has asserted the tax should be a deduction in arriving at U.S. taxable income.

The Service in January 1978 issued a published ruling to the effect that the Ontario mining tax, for periods prior to April 10, 1974, does not constitute a creditable foreign income tax. In November 1980, a Trial Judge of the United States Court of Claims Trial Division issued a recommended decision with respect to another taxpayer which holds that the Ontario mining tax paid for the years 1964 and 1965 was not eligible for foreign tax credit. This recommended decision will be reviewed by the Court of Claims.

The company has been advised by its outside counsel on this issue that it has a meritorious position notwithstanding the published ruling and the Trial Judge's recommended decision. Counsel believes that the published ruling and the Trial Judge's recommended decision are incorrect, and that there is a reasonable possibility that the Court of Claims will not adopt the recommended decision.

In 1975 the Ontario Mining Tax Act was amended effective April 10, 1974. For the subsequent period, counsel believes that the company has a substantial chance to ultimately prevail in its contention that the Ontario mining tax, under the amended Act, is eligible for the foreign tax credit.

Should the Service prevail with respect to the unresolved issues, the ultimate liability will not have a material adverse effect on the financial position of the company.

3. Long Term Debt

	(amounts in thousands)	
	Dec. 31, 1980	Dec. 31, 1979
9½% Canadian dollar notes, due 1982. Not subject to sinking fund requirements.	$ 21,262	$ 21,262
10% Canadian dollar debentures, due 1986. Annual sinking fund payments of $1,250,000 (Canadian) through 1985 and final payment of $15,000,000 (Canadian) in 1986.	15,392	17,186
5.75% notes, due 1986. Semi-annual payments of $625,000 through 1985 and final semi-annual payments of $875,000 in 1986.	8,000	9,250
4.70% notes, due 1989. Annual payments of $2,750,000 through 1989.	24,750	27,500
9⅜% debentures, due 2000. Annual sinking fund payments of $8,250,000 for the years 1986 to 1999 and final payment of $9,500,000 in 2000.	125,000	125,000
8½% debentures, due 2002. Annual sinking fund payments of $7,500,000 for the years 1983 through 2002.	150,000	150,000
Other	4,956	5,820
	349,360	356,018
Less current maturities	4,910	4,849
	$344,450	$351,169

Long term debt at December 31, 1980 matures through 1985 as follows:

(amounts in thousands)	
1981	$ 4,910
1982	28,639
1983	12,456
1984	12,770
1985	12,671

As of December 31, 1980, the Company had bank lines of credit totalling $150 million available without commitment fees required. No borrowings were required under these lines of credit during 1980.

At December 31, 1980, the company was permitted additional funded indebtedness of approximately $933 million under loan agreement restrictions.

There are no agreements with any bank, either writ-

ten or implied, that the company is to maintain any demand deposit in a determined amount which would constitute support for existing borrowing arrangements, including both outstanding borrowings and the assurance of future credit availability. However, it is the company's internal financial policy to maintain demand deposit balances sufficient in the company's judgment to insure the continued availability of credit.

4. Stock Options

Under a stock option plan approved by the stockholders in April 1979, options may be granted to officers and key employees of the company to purchase up to 750,000 common shares. Under the plan, options may be granted for terms not to exceed ten years and may include stock appreciation rights, the value of which is limited to one and one-half times the option price.

Options are also outstanding under a stock option plan approved by stockholders in 1972 which was virtually exhausted by grants made through 1979. The 1972 plan provided for options and stock appreciation rights with terms not to exceed ten years.

All options become exercisable as to 40 percent of the total granted one year from the date of grant, as to 70 percent two years from the date of grant and as to 100 percent three years from the date of grant. After one year from date of grant, options are exercisable in full upon retirement.

During the Year Options Were:	1980 Shares	1980 Option Price Per Share	1979 Shares	1979 Option Price Per Share	1978 Shares	1978 Option Price Per Share
Granted	139,350	$40 11/16	190,250	$24 1/8	194,000	$18 3/8
Expired or became unexercisable	(20,718)	18 3/8-40 11/16	(128,000)	18 3/8-34 1/4	(95,770)	18 3/8-34 1/4
Exercised or cancelled for cash or stock	(249,342)	18 3/8-34 1/4	(20,375)	18 3/8-33 5/16	—	—
Outstanding at end of year	494,915	18 3/8-40 11/16	625,625	18 3/8-34 1/4	583,750	18 3/8-34 1/4
Exercisable at end of year	193,235	18 3/8-34 1/4	320,625	18 3/8-34 1/4	351,175	27 9/16-34 1/4
Reserved for future grants	594,040	—	747,210	—	59,460	—

Under a bonus plan approved by shareholders in 1979, the company may grant bonuses to employees in cash, shares or any combination thereof. A bonus fund may be established of up to 50 percent of year-end salaries in effect for employees being granted a bonus for any year through 1988 in which net income of the company exceeds eight percent of stockholders' equity.

Under the Career Incentive Stock Plan approved by stockholders, awards not to exceed 500,000 common shares may be made out of treasury stock to officers and other key employees of the company and its subsidiaries. Twenty percent of the shares are transferred on the second anniversary of the award and each anniversary thereafter. This plan was virtually exhausted in 1979 and no awards have been made since that time.

During the Year Awards Under the Bonus and Career Incentive Stock Plans Were:	Shares 1980	Shares 1979	Shares 1978
Outstanding at beginning of year	246,875	241,365	238,190
Granted	31,566	69,725	60,000
Cancelled	(4,960)	(7,225)	(5,430)
Transferred to employees	(59,660)	(56,990)	(51,395)
Outstanding at end of year	213,821	246,875	241,365

The Employee Shareownership Plan provides for initial and subsequent distributions of the company's common shares to all fulltime employees, except senior officers, based on years of service with the company. During 1980, 1979 and 1978, 43,426, 7,603 and 7,183 shares, respectively, were distributed.

5. Capital Stock

Transactions involving capital stock were as follows:

	(amounts in thousands)			
	Preferred Stock $1 Par Value Series A	Common Stock No Par Value Issued	Common Stock No Par Value In Treasury	Contributed Capital
Balance December 31, 1977	$146,927	$26,175	$(22,728)	$ 7,666
Shares were issued in 1978 for:				
Dividend reinvestment and common stock purchase plan, 258,084 shares	—	5,074	—	—
Stock option, career incentive and employee shareownership plans, 58,578 shares	—	—	358	1,205
Acquisition of Quinn Coal Company, 188,213 shares	—	—	1,150	2,438
Conversion of preferred stock for common stock, 159 shares	(5)	5	—	—
Balance December 31, 1978	146,922	31,254	(21,220)	11,309
Shares were issued in 1979 for:				
Dividend reinvestment and common stock purchase plan, 474,254 shares	—	12,363	—	—
Stock option, career incentive and employee shareownership plans and other, 65,258 shares	—	—	399	1,278
Balance December 31, 1979	146,922	43,617	(20,821)	12,587
Shares were issued in 1980 for:				
Dividend reinvestment, optional stock dividend and common stock purchase plan, 513,679 shares	—	22,715	—	—
Stock option, career incentive and employee shareownership plans and other, 184,534 shares	—	—	1,118	4,883
Conversion of preferred stock for common stock, 846,132 shares	(26,011)	26,005	—	—
Balance December 31, 1980	$120,911	$92,337	$(19,703)	$17,470

The preferred stock is redeemable at $51.50 per share at December 31, 1980 and in decreasing amounts to $50.00 per share after December 14, 1986. Each share of preferred stock is convertible into approximately 1.5936 shares of common stock. On conversion, cash payments are made in lieu of issuance of fractional shares.

6. Leases

Amounts included in property, plant and equipment at December 31, 1980 and 1979 pertaining to leases were as follows:

	(amounts in thousands) 1980	1979
Rail equipment	$7,707	$ 8,636
Sulphur tanker	—	1,297
Other	451	468
	$8,158	$10,401

Contingent rental expense on capitalized leases amounted to $742,000 in 1980, $1,691,000 in 1979 and $2,170,000 in 1978. Rent expense on operating leases for 1980, 1979 and 1978, was as follows:

	(amounts in thousands) 1980	1979	1978
Minimum rentals	$ 8,916	$5,712	$4,835
Contingent rentals on vessel usage	2,799	2,524	2,636
Sublease rentals	(204)	(178)	(223)
	$11,511	$8,058	$7,248

Future minimum lease payments at December 31, 1980 were as follows:

(amounts in thousands)

Capital Leases	Total	1981	1982	1983	1984	1985	Remainder
Minimum payments	$14,377	$1,472	$ 992	$ 810	$ 827	$ 882	$ 9,394
Imputed interest	(7,105)	(693)	(622)	(571)	(553)	(528)	(4,138)
Present value	$ 7,272	$ 779	$ 370	$ 239	$ 274	$ 354	$ 5,256

(amounts in thousands)

Operating Leases	Total	1981	1982	1983	1984	1985	Remainder
Minimum rentals	$53,780	$8,130	$6,472	$5,958	$5,803	$3,781	$23,636
Sublease rentals	(1,240)	(210)	(199)	(181)	(181)	(181)	(288)
	$52,540	$7,920	$6,273	$5,777	$5,622	$3,600	$23,348

7. Industry Segment Information

Financial information by industry segment and geographic area for 1980, 1979, and 1978 are summarized in the accompanying tables. Operating income consists of revenues less operating expenses but before interest expense and income taxes.

(amounts in millions)

Industry Segment	Sales	Operating Income (Loss)	Identifiable Assets	Capital Expenditures	Depreciation and Amortization
1980					
Chemicals	$ 662.5	$238.8	$ 906.1	$135.2	$21.6
Metals	390.2	185.1	789.7	133.8	12.3
Oil and Gas	35.7	6.3	155.3	79.0	7.4
Other	1.7	(6.7)	24.9	4.1	1.5
Corporate	—	—	134.4	—	—
Total	$1,090.1	$423.5	$2,010.4	$352.1	$42.8
1979					
Chemicals	$ 464.1	$130.2	$ 763.7	$ 44.6	$19.3
Metals	298.8	109.2	637.7	68.3	11.1
Oil and Gas	23.6	1.4	97.7	51.1	4.8
Other	2.8	(17.8)	22.3	1.0	1.9
Corporate	—	—	126.7	—	—
Total	$ 789.3	$223.0	$1,648.1	$165.0	$37.1
1978					
Chemicals	$ 340.6	$ 61.2	$ 723.9	$ 17.3	$18.1
Metals	239.2	53.7	579.6	45.3	9.6
Oil and Gas	21.2	(.4)	63.0	22.2	3.4
Other	1.3	(11.7)	25.3	5.3	1.2
Corporate	—	—	122.0	—	—
Total	$ 602.3	$102.8	$1,513.8	$ 90.1	$32.3

(amounts in millions)

Geographic Area	Total	Sales to Customers in: U.S.	Canada	Europe	Other	Operating Income (Loss)	Identifiable Assets
1980							
U.S.	$ 605.5	$454.5	$ 7.5	$ 94.2	$ 49.3	$182.4	$1,005.1
Canada	484.6	244.1	94.2	94.6	51.7	224.2	831.5
Other	—	—	—	—	—	16.9	39.4
Corporate	—	—	—	—	—	—	134.4
Total	$1,090.1	$698.6	$101.7	$188.8	$101.0	$423.5	$2,010.4
1979							
U.S.	$ 440.7	$328.2	$ —	$ 46.7	$ 65.8	$ 96.7	$ 805.6
Canada	348.6	163.6	82.7	78.9	23.4	129.1	677.4
Other	—	—	—	—	—	(2.8)	38.4
Corporate	—	—	—	—	—	—	126.7
Total	$ 789.3	$491.8	$ 82.7	$125.6	$ 89.2	$223.0	$1,648.1
1978							
U.S.	$ 320.5	$258.2	$ .9	$ 21.8	$ 39.6	$ 39.8	$ 752.6
Canada	281.8	136.2	65.0	58.2	22.4	62.4	573.2
Other	—	—	—	—	—	.6	66.0
Corporate	—	—	—	—	—	—	122.0
Total	$ 602.3	$394.4	$ 65.9	$ 80.0	$ 62.0	$102.8	$1,513.8

8. Pension Plans

The company has pension plans covering substantially all employees, including employees in foreign countries. The policy is to fund pension costs as accrued. Pension expense for 1980, 1979, and 1978 was $9,165,000, $7,552,000 and $6,811,000, respectively. A comparison of accumulated plan benefits and plan net assets for the company's defined benefit plans determined as of June 30, 1980 and 1979, is shown in the table in this note.

In determining the actuarial present value of accumulated plan benefits, current employees' salary levels and past and future service periods are considered. Future salary increase factors are omitted from the calculations. The assumed rate of return used in the calculations was 6 percent in 1980 and 1979.

The current values of net assets available for benefits represent the fair market value of the plans' assets including cash and amounts accrued but not paid to the trustees.

	(amounts in thousands)	
	1980	1979
Actuarial present value of accumulated plan benefits:		
Vested	$ 83,720	$ 70,385
Nonvested	16,672	12,908
	$100,392	$ 83,293
Current values of net assets available for benefits	$135,379	$117,217

9. Oil and Gas Activities

Expenditures	(amounts in thousands) 1980	1979	1978
Property acquisition:			
U.S.	$36,342	$27,748	$ 8,948
Canada	567	1,873	14
Other	—	—	—
Total	$36,909	$29,621	$ 8,962
Exploration:			
U.S.	$ 8,142	$ 8,020	$ 5,951
Canada	3,470	2,435	2,445
Other	190	208	2,871
Total	$11,802	$10,663	$11,267
Development:			
U.S.	$31,300	$11,481	$ 5,121
Canada	3,513	2,011	826
Other	—	—	—
Total	$34,813	$13,492	$ 5,947
Production (lifting costs):			
U.S.	$ 3,954	$ 1,625	$ 1,539
Canada	7,634	6,235	5,125
Other	—	—	—
Total	$11,588	$ 7,860	$ 6,664

Net Capitalized Costs	(amounts in thousands) 1980	1979	1978
Capitalized costs:			
U.S.	$153,236	$ 99,489	$61,369
Canada	36,720	29,853	27,758
Other	573	625	785
Total	$190,529	$129,967	$89,912
Accumulated depreciation and amortization:			
U.S.	$ 22,672	$ 16,679	$13,306
Canada	6,320	5,462	4,375
Other	47	69	113
Total	$ 29,039	$ 22,210	$17,794
Valuation allowance:			
U.S.	$ 13,026	$ 16,683	$15,130
Canada	6,609	3,397	2,360
Other	250	250	—
Total	$ 19,885	$ 20,330	$17,490
Net capitalized costs:			
U.S.	$117,538	$ 66,127	$32,933
Canada	23,791	20,994	21,023
Other	276	306	672
Total	$141,605	$ 87,427	$54,628

Net Revenues	(amounts in thousands) 1980	1979	1978
U.S.	$15,033	$ 9,393	$10,048
Canada	9,089	6,367	4,533
Other	—	—	—
Total	$24,122	$15,760	$14,581

Net revenues are gross revenues less production costs excluding depreciation and amortization.

10. Quarterly Financial Information (Unaudited) is tabulated in the Financial Review on page 31.

The information contained in Notes 11 and 12, which are unaudited, is presented pursuant to requirements established by the Securities and Exchange Commission and the Financial Accounting Standards Board. The information has not been determined in accordance with generally accepted accounting principles normally applied in determining financial position and results of operations. A significant amount of estimation and judgment is involved in the determination of the information presented. In addition some of the amounts used in the calculation have been determined in accordance with guidelines which, while allowing for uniform bases, may not reflect results which management believes may be expected.

The financial information contained in these notes should be considered as overall estimates and not as specific projections of future results or actual valuations of current position. Readers are cautioned to be aware of the estimated nature of the financial information in these notes and assess their reliance on the data presented accordingly.

11. Oil and Gas Activities (Unaudited)

The amounts of proved reserves and their periods of production are estimated by the company's geologists and engineers and outside consultants and reviewed by management. Readers are cautioned that actual prices realized and costs incurred may be expected to differ from the amounts used in these calculations, and reserves of oil and gas may not be produced in the quantities or in the periods estimated.

Reserves. Reserve amounts are stated in thousands of barrels for oil and millions of cubic feet for gas. The Canadian gas reserves shown include hydrogen sulphide from which a portion of the Canadian sulphur reserves of Texasgulf are to be recovered.

	Total		United States		Canada	
Proved developed and proved undeveloped reserves:	Oil	Gas	Oil	Gas	Oil	Gas
Balance December 31, 1977	21,728	396,256	428	44,582	21,300	351,674
Changes in 1978:						
Revisions of previous estimates	(86)	(98,488)	(16)	89	(70)	(98,577)
Extensions, discoveries and other additions	752	42,549	646	42,549	106	—
Production	(260)	(18,408)	(86)	(10,295)	(174)	(8,113)
Balance December 31, 1978	22,134	321,909	972	76,925	21,162	244,984
Changes in 1979:						
Revisions of previous estimates	(17,787)	(122,650)	(520)	(31,701)	(17,267)	(90,949)
Purchases of minerals in place	63	3,339	63	3,339	—	—
Extensions, discoveries and other additions	55	11,695	55	11,695	—	—
Production	(388)	(16,952)	(91)	(8,500)	(297)	(8,452)
Balance December 31, 1979[1]	4,077	197,341	479	51,758	3,598	145,583
Changes in 1980:						
Revisions of previous estimates	136	5,875	197	5,740	(61)	135
Purchases of minerals in place	12	—	12	—	—	—
Extensions, discoveries and other additions	1,869	26,209	1,124	26,007	745	202
Production	(482)	(16,748)	(105)	(8,524)	(377)	(8,224)
Balance December 31, 1980[1]	5,612	212,677	1,707	74,981	3,905	137,696
Proved developed reserves:						
December 31, 1977	21,698	299,481	398	38,407	21,300	261,074
December 31, 1978	21,706	292,810	544	47,826	21,162	244,984
December 31, 1979[1]	3,853	165,549	393	45,195	3,460	120,354
December 31, 1980[1]	4,831	171,488	1,016	58,869	3,815	112,619

[1] Beginning with 1979, the company's oil and gas reserves have been calculated by Ryder Scott Company and by The D&S Group, independent petroleum engineers and consultants, using the stringent standards set by the Society of Petroleum Engineers. The reduction in gas reserves in 1979 was due mainly to the application of the more stringent reserve estimation standards, with a large portion reclassified as probable or possible. The lower estimates of oil reserves in 1979 were due in large part to the disappointing performance of the long-life waterflood program in Alberta.

Estimated future net revenues from proved oil and gas reserves:

(amounts in thousands)

	Total		United States		Canada	
	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped	Proved Developed
Next three succeeding years:						
1981	$ 23,190	$ 33,536	$ 12,015	$ 21,974	$ 11,175	$ 11,562
1982	41,015	37,479	29,208	25,360	11,807	12,119
1983	62,844	48,031	52,279	37,423	10,565	10,608
Remainder	211,394	151,198	99,557	58,819	111,837	92,379
Total	$338,443	$270,244	$193,059	$143,576	$145,384	$126,668

Present value, at a discount rate of 10 percent per annum, of estimated future net revenues from proved oil and gas reserves:

(amounts in thousands)

	Total		United States		Canada	
	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped	Proved Developed
December 31, 1980	$210,331	$175,289	$139,030	$108,818	$71,301	$66,471
December 31, 1979	$126,242	$118,879	$ 62,570	$ 60,051	$63,671	$58,846

Supplemental Information and Earnings Summary of Oil and Gas Producing Activities

(amounts in millions)

	1980	1979
Present value of additions to proved reserves	$ 61	$ 13
Costs of additions:		
Exploration	35	15
Development	35	14
Previously estimated future development costs	(25)	(14)
	45	15
Income from current additions	16	(2)
Revisions:		
Prices	37	10
Other*	(27)	(92)
	26	(84)
Accretion of discount	13	18
Income from current additions and revisions	39	(66)
Income taxes	(17)	40
Income from current additions and revisions after income taxes	$ 22	$ (26)
Income before taxes from current production activities	$ 6.3	$ 1.4
Unproved properties and exploration projects	72.4	58.7
Valuation allowance:		
Balance December 31	19.9	20.3
Provided during period	5.3	5.7

*Attributable primarily in 1980 to additional production taxes on Canadian properties and in 1979 to revisions in reserve estimates.

In calculating the above data on estimated future net revenues, supplemental information and earnings summary of oil and gas producing activities, prices for U.S. gas sales were assigned amounts equal to the allowable maximum prices under the Natural Gas Policy Act of 1978 which allows price increases through 1985. Prices for U.S. oil and Canadian oil and gas were assigned amounts equal to the actual December 1980 prices with no provision for increased prices. Future expenditures for both developing and producing the proved reserves are included in the calculations based on costs incurred in 1980 for similar activities. In determining the present value of estimated future net revenues, an annual discount factor of 10 percent was applied.

Assumptions for pricing, applications of cost and the amount of the discount factor are based on guidelines issued by the Securities and Exchange Commission.

Summary of Changes in Present Value of Estimated Future Net Revenues

(amounts in millions)

	1980	1979
Balance, beginning of period	$126	$178
Additions, revisions and accretion of discount	84	(51)
Previously estimated future development costs incurred during the year	25	14
Sales of oil and gas net of production costs	(25)	(15)
Balance, end of period	$210	$126

12. Effects of Inflation and Changing Prices (Unaudited)

In accordance with FASB Statement No. 33, as amended for natural resources assets, certain historical cost information is shown below restated in constant dollars and current costs. The information represents an effort to reflect the effect of inflation on the company's financial position and results of operations.

The constant dollar amounts represent the historical cost information adjusted for changes in the general purchasing power of the dollar as measured by the Consumer Price Index for all Urban Consumers. The current cost amounts represent the historical cost information adjusted by specific prices and indices based upon the type, location and age of the company's assets.

Statement of Net Income in Constant Dollars and Current Costs

(in thousands of average 1980 dollars)		Year Ended December 31, 1980
Net income as reported in the income statement		$325,551
Adjustments to restate costs for the effect of general inflation (constant dollars):		
Cost of goods sold	$(26,499)	
Depreciation and amortization expense	(31,581)	(58,080)
Net income adjusted for general inflation (constant dollars)		267,471
Adjustments to reflect the difference between general inflation and changes in specific prices (current costs):		
Cost of goods sold	$(15,771)	
Depreciation and amortization expense	1,368	(14,403)
Net income adjusted for changes in specific prices (current costs)		$253,068
Gain from decline in purchasing power of net amounts owed		$65,874
Effect of increase in general price level (constant dollars) of inventories and property, plant and equipment held during the year		$231,847
Increase in specific prices (current costs)*		(199,670)
Excess of increase in the general price level (constant dollars) over the increase in specific prices (current dollars)		$ 32,177

*At December 31, 1980, the current cost of product inventory was $271,742,000, and the current cost of property, plant and equipment (including land and development), net of accumulated depreciation and amortization, was $1,955,293,000.

The information contained herein represents estimates based on substantial subjective judgments made in the estimating process, and caution must be exercised as to whether or not the true impact of inflation has been recognized. Generally, the cumulative impact of inflation over a number of years has resulted in higher costs for operation and replacement of existing plant and equipment. However, these increased costs have been partially offset by technological and design improvements which result in increasing the productivity of newer asset additions.

Net income, including the cumulative effect of the change to the flow-through method of accounting for investment tax credits, was used as the base for the Statement of Net Income in Constant Dollars and Current Costs. The inclusion of the cumulative effect of the accounting change does not cause distortion in the reported constant dollar and current cost amounts since the cumulative effect is not subject to revaluation for changing prices. In calculating constant dollar information, product inventories at the beginning of the year were assumed to be acquired in the immediately preceding period and indexed accordingly. In calculating current cost information, product inventory costs were estimated based on December production costs. Production costs in constant dollars and current costs were assumed to be incurred evenly during the year. Depreciation and amortization charges for the period were assumed to increase in the same proportion as the increase in stated value of fixed assets from historical cost to the average 1980 constant dollar amount and current cost respectively. Net income for 1980 amounted to $325.6 million based on historical costs. On a constant dollar basis, adjusting for general inflation, net income would have been $267.5 million. On a current cost basis, adjusting for changes in specific prices, net income would have been $253.1 million. These adjustments during inflationary periods will always result in net income being lower than income based on historical costs.

Income taxes are reported as the same amount in constant dollars and current costs as reported in historical costs despite the decline in income. This treatment highlights the hidden tax burden being borne by companies due to inflation.

Since the company's monetary liabilities were substantially in excess of its monetary assets for the year,

there was a purchasing power gain of $65.9 million in net amounts owed.

Nearly all of the company's plants have been built within the last 15 years, and many within the last five years. The plants are modern, efficient, well maintained and environmentally sound. The company is one of the lowest cost producers in the mining industry.

World consumption is greater than ever for the company's principal products. Consumption has grown almost continuously for the past 20 years and will continue to grow. Higher prices for these products will be required to assure that new plants will be built. Greater capital costs will be required to bring new capacity on stream, in large part because of inflation.

Reserve data, production and pricing information are contained elsewhere in this report.

Five-Year Comparison of Selected Supplementary Financial Data in Constant Dollars and Current Costs

	(in thousands of average 1980 dollars)				
	1980	1979	1978	1977	1976
Net sales and operating revenues:					
As historically reported	$1,132,075	$801,606	$608,876	$491,155	$490,642
In average 1980 dollars	1,132,075	910,011	769,041	667,863	710,308
Historical cost information adjusted for general inflation (constant dollars):					
Net income	267,471	107,101	22,383	—	—
Net income per common share	7.93	3.08	.35	—	—
Net assets at end of year	1,944,144	1,639,228	1,485,701	—	—
Current cost information:					
Net income	253,068	—	—	—	—
Net income per common share	7.49	—	—	—	—
Excess of increase in the general price level (constant dollars) over increase in specific prices (current costs)	32,177	—	—	—	—
Net assets at end of year	1,788,927	—	—	—	—
Gain from decline in purchasing power of net amounts owed	65,874	79,238	62,080	—	—
Cash dividends declared per common share:					
As historically reported	1.50	1.20	1.20	1.20	1.20
In average 1980 dollars	1.50	1.36	1.52	1.63	1.74
Market price per common share at end of year:					
As historically reported	59.00	36.25	18.50	19.375	29.125
In average 1980 dollars	56.35	38.92	22.50	25.69	41.24
Average consumer price index (1967 = 100)	246.8	217.4	195.4	181.5	170.5

Accountants' Report

Peat, Marwick, Mitchell & Co.

Certified Public Accountants

345 Park Avenue
New York, New York 10022

To The Stockholders of Texasgulf Inc.

We have examined the consolidated balance sheets of Texasgulf Inc. and subsidiaries as of December 31, 1980 and 1979 and the related consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Texasgulf Inc. and subsidiaries at December 31, 1980 and 1979 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles consistently applied during the period except for the changes, with which we concur, in the method of accounting for investment tax credits and the method of accounting for interest costs as described in Notes 1A and 1G, respectively, to the consolidated financial statements.

Peat, Marwick, Mitchell & Co.

February 17, 1981

High-Low Market Prices by Quarter of Texasgulf Stock

	1980		1979	
Quarter	High	Low	High	Low
Common Stock				
First	**$ 53⅝**	**$28**	$25¼	$18⅜
Second	**40¼**	**31**	25½	21⅛
Third	**58¼**	**37⅝**	30⅝	23
Fourth	**67⅞**	**52⅝**	36¼	24⅞
Preferred Stock				
First	**85**	**47**	44½	35⅜
Second	**64½**	**50**	43⅞	40
Third	**92**	**59**	51¼	41
Fourth	**106¼**	**83**	57⅞	42½

The table above sets forth the range of the market prices per share of Texasgulf stock as reported on the consolidated tape for New York Stock Exchange issues. The company's shares are listed on the New York Stock Exchange under the symbol TG and on the Montreal and Toronto exchanges under the symbol TXG. As of February 23, 1981, there were 53,531 holders of common stock. For information regarding the frequency and amount of dividends on common stock see page 31.

Ten Year Financial Summary

	1980
Income (in millions of dollars)	
Sales	**$1,090.1**
Royalties, interest and other income	**41.9**
Operating, delivery and other related costs and expenses, including exploration	**663.0**
Selling, general and administrative expenses	**45.5**
Interest expense	**2.2**
Income taxes	**134.8**
Income before extraordinary charge and cumulative effect of accounting change	**286.5**
Extraordinary charge net of applicable income taxes	**—**
Cumulative effect of accounting change	**39.1**
Net income	**325.6**
Financial Position (in millions of dollars)	
Current assets	**521.6**
Current liabilities	**229.3**
Working capital	**292.3**
Mineral and product inventories	**221.5**
Property, plant and equipment—net	**1,415.6**
Total assets	**2,010.4**
Long term debt, less current maturities	**344.5**
Stockholders' equity	**1,167.6**
Other Data	
Per share of common stock—	
Income before extraordinary charge and cumulative effect of accounting change	**8.49**
Extraordinary charge, net of tax	**—**
Cumulative effect of accounting change	**1.21**
Net income—primary	**9.70**
—fully diluted	**8.68**
Dividends	**1.50**
Book value at December 31	**31.23**
Market price range	**67⅞-28**
Return on average stockholders' equity (percent)	**32.0**
Number of common shareowners of record Dec. 31	**53,795**
Average number of common shares outstanding (in thousands)	**32,743**

1979	1978	1977	1976	1975	1974	1973	1972	1971
$ 789.3	$ 602.3	$ 482.6	$ 480.5	$ 444.6	$568.5	$363.8	$270.5	$217.7
12.3	6.6	8.5	10.1	17.0	15.3	5.3	2.9	3.2
544.5	481.3	375.8	342.8	277.7	286.9	217.8	208.8	166.9
34.1	24.9	24.0	25.8	16.1	18.7	15.0	14.0	13.6
14.5	35.0	27.0	27.0	14.0	14.4	12.6	12.0	8.8
71.6	17.6	18.0	34.2	60.1	120.1	46.8	22.0	14.0
136.9	50.1	46.3	60.8	93.7	143.7	76.9	16.6	17.6
—	—	—	—	—	—	—	—	(4.7)
—	—	—	—	—	—	—	—	—
136.9	50.1	46.3	60.8	93.7	143.7	76.9	16.6	12.9
420.1	379.9	381.6	337.4	290.6	327.4	182.1	156.0	144.7
153.5	146.9	131.8	89.5	110.2	143.3	76.1	70.5	65.8
266.6	233.0	249.8	247.9	180.4	184.1	106.0	85.5	78.9
204.6	200.1	233.4	192.5	139.5	74.1	63.6	70.5	67.8
1,127.0	1,031.4	997.5	888.6	750.3	545.7	498.4	457.2	441.0
1,648.1	1,513.8	1,477.9	1,315.4	1,100.7	939.5	743.9	676.4	648.6
351.2	357.4	366.6	266.2	227.9	134.7	157.2	173.4	169.1
870.5	766.4	752.1	750.2	576.8	517.6	401.5	343.5	344.9
4.05	1.33	1.21	1.98	3.06	4.71	2.53	.55	.58
—	—	—	—	—	—	—	—	(.15)
—	—	—	—	—	—	—	—	—
4.05	1.33	1.21	1.98	3.06	4.71	2.53	.55	.43
3.71	1.33	1.21	—	—	—	—	—	—
1.20	1.20	1.20	1.20	1.20	.98	.64	.60	.60
22.60	19.66	19.52	19.50	18.80	16.94	13.19	11.30	11.35
36¼-18⅜	24⅞-15⅛	31⅞-17⅛	37⅝-27½	36⅜-23⅞	36⅝-20⅛	33⅛-17⅛	20¾-14¾	24⅜-11¼
16.7	6.6	6.2	9.2	17.1	31.3	20.6	4.8	3.7
56,851	59,445	59,901	62,289	64,534	66,881	64,841	80,247	82,511
31,544	30,911	30,809	30,735	30,616	30,483	30,417	30,396	30,386

Directors

Donald G. Campbell (55), Director since 1979, member of the Audit Committee. Chairman of the Board and Chief Executive Officer, Maclean-Hunter Ltd., Toronto, Ontario.

Pierre Côté (55), Director since 1980, member of the Audit Committee. Chairman of the Board, Celanese Canada Inc., Montreal, Quebec.

Charles F. Fogarty (59), Director since 1962. Chairman of the Board and Chief Executive Officer, Texasgulf Inc. until his death on February 11, 1981.

John P. Gallagher (64), Director since 1973, member of the Compensation Committee. Chairman of the Board and Chief Executive Officer, Dome Petroleum Ltd., Calgary, Alberta.

Alexander F. Giacco (61), Director since 1979, member of the Compensation Committee. Chairman, President and Chief Executive Officer, Hercules Incorporated, Wilmington, Delaware.

Gino P. Giusti (53), Director since 1979. President and Chief Operating Officer, Texasgulf Inc.

H. Anthony Hampson (50), Director since 1973, member of the Compensation Committee. President, Chief Executive Officer and member of the Executive Committee, Canada Development Corporation, Toronto, Ontario.

Guy T. McBride, Jr. (61), Director since 1974, member of the Compensation Committee. President, Colorado School of Mines, Golden, Colorado.

Richard D. Mollison (64), Director since 1973. Elected Chairman of the Board and Chief Executive Officer, Texasgulf Inc., on February 12, 1981.

Donald B. Smiley (66), Director since 1966, Chairman of the Compensation Committee. Chairman of the Finance Committee, R.H. Macy & Co., Inc., New York, New York.

Richard M. Thomson (47), Director since 1974, Chairman of the Audit Committee. Chairman and Chief Executive Officer, The Toronto-Dominion Bank, Toronto, Ontario.

Alexander M. Vagliano (54), Director since 1977, member of the Audit Committee. Executive Vice President, Morgan Guaranty Trust Company of New York, New York.

Honorary Directors

George Brown, Former Chairman, Brown & Root Inc., Houston, Texas.

Harold Decker, Director Emeritus of Halliburton Company and Director of various other companies, Houston, Texas.

George S. Eccles, Chairman, Chief Executive Officer and Director, First Security Corporation, Salt Lake City, Utah.

Thomas M. Phillips, Senior Partner, Baker & Botts, Houston, Texas.

Allan Shivers, Chairman of the Board, Austin National Bank, Austin, Texas.

Claude O. Stephens, Former Chairman of the Board, Texasgulf Inc.

Lowell C. Wadmond, Partner, White & Case, New York, New York.

Texasgulf's Board of Directors, as shown in this photograph taken for the Annual Report in November, 1980, included: (rear left to right) Alexander F. Giacco, Pierre Côté, Alexander M. Vagliano, H. Anthony Hampson, Dr. Guy T. McBride, Jr., Richard M. Thomson, and Donald G. Campbell; (front left to right) Donald B. Smiley, Richard D. Mollison, Dr. Charles F. Fogarty, Dr. Gino P. Giusti, and John P. Gallagher.

In a tribute to Dr. Charles F. Fogarty, the Board of Directors noted his major contribution as the principal architect of the plan which transformed Texasgulf from an essentially one-product company into a broadly diversified producer of natural resources. The tribute also said:

"The results described in the Texasgulf 1980 Annual Report testify to the success of Dr. Fogarty's plan. Through the years of building the ore reserves, plants and financial assets which resulted in record sales and earnings in 1980, he continued to emphasize first of all the importance of people as individuals and as teamworkers.

"Under his leadership, Texasgulf was one of the first companies to abolish hourly wages and make every employee salaried. It was one of the first companies to adopt a plan under which all employees become shareowners as well.

"Dr. Fogarty often said that Texasgulf had four essential assets: great people, great reserves, great plants, and great financial strength. And of these, he believed, the most important was people because upon their dedicated and talented efforts, the fruition of all the other assets depended.

"His emphasis on people throughout 28 years of service and leadership brought forth the best in all of his associates and gives them confidence that Texasgulf will continue on the path to attaining the goals he had established."

Officers

The following list of Officers includes their age, year of employment with Texasgulf and title:

Richard D. Mollison, 64 (1947)
Chairman of the Board and Chief Executive Officer

Gino P. Giusti, 53 (1948)
President and Chief Operating Officer

P. Ray Clarke, 62 (1964)
Senior Vice President;
President, Texasgulf Metals Company,
Timmins, Ontario

Earl L. Huntington, 51 (1963)
Senior Vice President and General Counsel

Walter F. Meyer, 55 (1957)
Senior Vice President and Chief Financial Officer

Frank R. Moulton, Jr., 56 (1961)
Vice President;
President, Texasgulf Oil and Gas Company,
Houston, Texas

Thomas J. Wright, 48 (1964)
Vice President;
President, Texasgulf Chemicals Company,
Raleigh, North Carolina

David M. Crawford, 65 (1964)
Secretary

David C. Edmiston, Jr., 50 (1952)
Vice President, Special Projects,
Golden, Colorado

John W. Hall, Jr., 59 (1960)
Vice President, Business Development

Robert P. Hedley, 43 (1963)
Treasurer

Kenneth J. Kutz, 54 (1961)
Vice President, International Division

George W. Mannard, 48 (1964)
Vice President, Minerals Exploration Division,
Golden, Colorado

Leo J. Miller, 56 (1957)
Vice President and Assistant to the President,
Golden, Colorado

John T. Thornton, 43 (1967)
Controller

F. Wayne White, 52 (1954)
Vice President, Employee Relations and Administration

In Memoriam

The crash of a Texasgulf plane on the evening of February 11, 1981 took the lives of eight valued officers and employees:

Dr. Charles F. Fogarty, 59, Chairman of the Board and Chief Executive Officer, with 28 years of service to Texasgulf.

Frank J. Claydon, Jr., 46, Vice President of Texasgulf and President of Texasgulf Chemicals Company, Raleigh, North Carolina, with 27 years of service.

Gordon N. McKee, Jr., 50, Vice President and Treasurer, with 22 years of service.

Robert J. Boyle, 51, Vice President, Research, Engineering and Construction, with 16 years of service.

Clarence E. Drew, 55, Manager of Corporate Communications, with three years of service.

Albert D. Woodling, 35, Accounting Supervisor, Texasgulf Chemicals Company, Raleigh, North Carolina, with five years of service.

J. Morgan Gregory, 63, Aviation Manager, with 27 years of service.

Shanley S. Sorenson, 42, Pilot, with seven years of service.

Richard D. Mollison, the company's new Chairman of the Board and Chief Executive Officer, told employees:

> "This is a tragic time for all of us. We have lost men who were leaders of the company and our close friends and associates for many years. It is a time of deep sorrow. Our hearts and sympathy go out to their loved ones at this very difficult time. The company is strong and will continue to operate. I know we can count on all of you.
>
> "In the various memorial services, the common sentiment expressed was the feeling of family at Texasgulf. There could be no more fitting expression. Those who are gone were part of us. They were our brothers. We shall go on. But we shall never forget them."

Staff

Administrative

Kurt O. Linn	*Assistant to the President*
Jackson G. Pinkerton	*Manager, Administration*
Jimmy F. Markham	*Aviation Manager, White Plains, New York*
William J. Parisi	*Manager, Corporate Insurance*

Advertising

Charles S. Bryk	*Manager*
William J. Cotter	*Assistant Manager*

Business Development

Kenneth J. Altorfer	*Manager*

Employee Relations

Donald A. Brunner	*Assistant Manager*
William O. Britt	*Manager, Compensation*
George H. Griswold, Jr.	*Manager, Employee Benefits*
Robert F. Wojcik,	*Manager, Management Development*

Finance

Controller

Leroy T. Kling, Jr.	*Assistant Controller, General Accounting*
Joseph E. Mulligan, Jr.	*Assistant Controller, Accounting Policy*
Thomas M. McNally, Jr.	*Manager, General Accounting*

Data Processing—Raleigh, North Carolina

John G. Stengel	*Assistant Controller, Data Processing*
W. Frank Hodge, II	*Manager, Business Applications*
Thomas L. Honeycutt	*Manager, Plant and Engineering Applications*
Francis J. Moore	*Manager, Raleigh Data Center*
David L. Rutledge	*Manager, Information Systems*

Internal Audits

Allan W. Denninger	*Manager*
Michael Kudlick	*Assistant Manager*

Taxes

James A. Campbell	*General Manager*
Daniel H. Payne	*Manager*

Treasury

Robert C. Johnsen	*Assistant Treasurer*
John E. Johnson	*Assistant Treasurer*
John J. Burke	*Assistant Manager, Credit*
John J. McKevitt	*Manager, Budgets*
William F. Seamon	*Manager, Credit*
David A. Seidel	*Manager, Pension Funds*

Law

Joseph C. Brown	*Assistant General Counsel and Assistant Secretary, Houston*
Charles W. Wilder	*Assistant General Counsel and Assistant Secretary*
Clyde D. Ford	*Senior Counsel, Houston*
Lynnette E. Graham	*Senior Counsel*
Edward B. Hinders	*Counsel, Houston*
Eugene G. McGuire	*Counsel*
Denis A. Polyn	*Patent Counsel*
Lucius W. Pullen	*Division Counsel and Assistant Secretary, Raleigh*
William H. Strait	*Senior Counsel*
Ted G. White	*Senior Counsel, Houston*
Lowell C. Williams	*Senior Counsel and Assistant Secretary*
Reginald A. Willoughby	*Division Counsel and Assistant Secretary, Toronto*

Market Research

Paul A. Rittenhouse	*Manager*
James A. Orser	*Assistant Manager*

Public Relations

William D. Askin	*Manager*

Research, Engineering and Construction

Stephen H. Cole	*General Manager*
Harry G. Bocckino	*Manager, Research, Development and Process Engineering*
Jon P. Meyer	*Manager, Research and Development, Golden*
Alan G. Perry	*Project Manager, Kidd Creek Copper Smelter and Refinery Engineering and Construction*

Operations

Texasgulf Chemicals Company

Raleigh, North Carolina

Thomas J. Wright	*President*
Robert E. Clagett	*Vice President, Marketing, Sulphur and Soda Ash*
Jack L. Milani Jr.	*Vice President, Market Planning, Transportation and Distribution*
James R. Paden	*Vice President, Potash Production*
John H. Wiley	*Vice President, Marketing, Phosphate and Potash*
Douglas C. Anders	*Controller*
Jerome F. Brim	*Sales Manager, Feed Products, Weeping Water, Nebraska*
Richard G. Bryan	*Domestic Sales Manager, Soda Ash*
Peter C. Connell	*General Manager, Marine Transportation*
Robert J. Forest	*Manager, Dicalcium Phosphate Operation, Weeping Water, Nebraska*
Robert B. Gibbs	*Domestic Sales Manager, Phosphate and Potash*
Albert E. Gibson	*Manager, Mt. Olive Plant*
Walter B. Gillette	*Assistant Sales Manager, Sulphur, Fair Haven, New Jersey*
S. Keith Hardwick	*Export Sales Manager, Sulphur and Soda Ash*
Anderson O. Harwell	*Manager, Customer Services*
Dennis B. Kanten	*Assistant Sales Manager, Sulphur, Calgary, Alberta*
William R. Kappus	*Assistant Sales Manager, Sulphur*
Kenneth S. Kelly	*Office Manager*
William F. Mason	*Domestic Sales Manager, Sulphur*
Thomas L. Perkins	*Export Sales Manager, Phosphate and Potash*
Gary C. Pickard	*Assistant Controller*
Ray W. Rowan	*National Accounts Sales Manager, Phosphate and Potash*
Jere R. Snell	*Assistant Sales Manager, Soda Ash*

Phosphate—Aurora, North Carolina

Frank H. Robinson	*Vice President, Production*
Paul H. Barrett	*Superintendent, Acid Plants*
Charles F. Bennett	*Chief Accountant*
Donald L. Bennett	*Superintendent, Traffic*
Walter E. Bondurant	*Superintendent, Super Acid and Tank Farm*
Clyde W. Davis, Jr.	*Manager, Maintenance*
Donald F. DeLong	*Manager, Engineering Services*
Mitchell T. Harris	*Superintendent, Mine Maintenance*
John D. Heard	*Manager, Administration*
John M. Hird	*Manager, Mining*
Roy A. Hutchins	*Superintendent, Technical Services*
David A. Jacoby	*Superintendent, Dredging and Reclamation*
Delbert R. Jones, Jr.	*Superintendent, Materials*
Steven C. Mollison	*Superintendent, Mine*
C. Jackson Moore	*Superintendent, Information Services*
R. Douglas Nelson	*Manager, Environmental*
Melvin L. Preslar	*Superintendent, Employee Relations*
John R. Pyburn	*Manager, Employee and Public Relations*
Hood L. Richardson	*Superintendent, Long Range Planning*
James N. Richardson	*Superintendent, Mill*
Guy W. Whitaker, Jr.	*Superintendent, Fertilizer Plants*
Brooks M. Whitehurst	*Manager, Special Projects*

Potash—Moab, Utah

Rudolph S. Higgins	*General Manager*
Paul Arthur	*Chief Accountant*
Clark H. Huff	*General Superintendent*
Robert E. MacAdams	*Supervisor, Employee Relations*
Charles L. Squires	*Supervisor, Safety and Environmental Control*

Soda Ash—Granger, Wyoming

Cameron W. Albin	*Vice President, Production*
Steven W. Alexanders	*Superintendent, Employee Relations*
Robert E. Bator	*Supervisor, Purchasing and Warehousing*
Richard W. Chastain	*Technical Superintendent*
William R. Coleman, Jr.	*Superintendent, Mine Production*
Edward H. Conroy	*Manager, Technical Services*
Roger A. Harris	*Manager, Mining*
Anthony A. Hauck IV	*Manager, Accounting*
Glen E. Hunter	*Superintendent, Mine Maintenance*
Wells B. Johnson	*General Superintendent, Engineering and Maintenance*
Donald R. Mobley	*General Superintendent, Surface Operations*
Herbert S. Price	*General Superintendent, Mine*
Richard C. Reynolds, Jr.	*Manager, Public Relations*
Richard A. Sterns	*Superintendent, Traffic*

Sulphur

Byron N. Soderman	*Vice President, Production, Newgulf, Texas*

Frasch Sulphur—Newgulf, Texas

Kenneth D. Bishop	*Manager, Maintenance*
Murray O. Clapp	*Manager, Traffic*
Kenneth O. Gilbert	*Manager, Purchasing and Warehousing*
Wayne Herrington	*Manager, Engineering*
Edmond Hershap, Jr.	*Manager, Employee Relations*
R. Jackson Leddy	*Manager, Land Department, Houston*
Leonard M. Mason	*Manager, Quality Control*
Alec C. Mayfield	*Manager, Power Plants*
Herbert H. O'Quinn	*Terminal Manager, Beaumont, Texas*
George O. Richardson	*Mine Manager, Comanche Creek, Texas*
Louis J. Rolf	*Manager, Accounting*
J. Franklin Sherrill	*Mine Manager, Moss Bluff, Texas*
Noe Sonnier, Jr.	*Field Manager*
Raymond J. Staffa	*Manager, Environmental Affairs*
Clinton P. White	*Manager, Public Relations*

Recovered Sulphur—Calgary, Alberta

Frederic J. Ronicker	*Manager*
Edward W. Plum	*Assistant Manager*
Donald H. Davies	*Plant Superintendent, Okotoks*
James J. Heisler	*Superintendent, Traffic, Whitecourt*
John A. Regehr	*Manager, Transportation*
Lucien E. Tremblay	*Manager, Accounting*
Douglas H. Whittaker	*Vat Superintendent, Whitecourt*

Texasgulf Metals Company

Toronto, Ontario

P. Ray Clarke	*President*
Kent D. Hoffman	*Senior Vice President, Marketing*
Bruce W. Gilbert	*Vice President, Sales*
Albert W. Scragg	*Controller*
H. Devon Smith	*Vice President, Public Relations*
David G. Baskin	*Manager, Traffic*

Timmins, Ontario

Barton A. Thomson	*Senior Vice President, Production*
Michael P. Amsden	*Vice President, Metallurgy*
J. Eric Belford	*Vice President, Mining*
Donald F. Grenville	*Vice President, Employee Relations*
Clarence V. Amyotte	*Mine Superintendent, Surface*
Peter N. Blakey	*Superintendent, Owl Creek Mine*
Colin Chapman	*Superintendent, Concentrator*
George C. Coupland	*Superintendent, Special Projects*
Ernest R. Hamilton	*Superintendent, Zinc Plant*
Denis J. Kemp	*Superintendent, Copper Refinery*
G. Merle T. Marshall	*Manager, Engineering*
James E. Martin	*Superintendent, Maintenance, Metsite*
Angelo Matulich	*Chief Geologist*
David L. McKay	*Superintendent, No. 2 Mine*
John W. Miller	*Superintendent, Maintenance, Minesite*
Christopher J. Newman	*Superintendent, Copper Smelter*
William H. Niemi	*Superintendent, Traffic*
John P. Pappone	*Superintendent, Employee Relations*
Leonard D. Sanderson	*Manager, Zinc Plant and Concentrator*
Ronald M. Sweetin	*Manager, Copper Smelter and Refinery*
Stephen J. Walasek	*Superintendent, Computer Services*
Arthur C. Warren	*Chief Accountant*
J. Keith Youngblut	*Superintendent, No. 1 Mine*

Victor, Colorado

Charles E. Brechtel	*General Manager, Cripple Creek Operations*

Texasgulf Oil and Gas Company

Houston, Texas

Frank R. Moulton, Jr.	*President*
Weyman W. Crawford	*Senior Vice President, Operations*
Richard J. Johnson	*Vice President, Land*
Robert L. Johnson, Jr.	*Vice President, Engineering and Production*
Robin L. Lyon	*Vice President, Exploration*
Charles H. Moritz	*Controller*
Paul E. Cassity	*Regional Manager, Exploration, Southeastern U.S.*
Maurice Mazurkewich	*Regional Manager, Exploration, Calgary*
Richard E. Oppel	*Regional Manager, Exploration, Mid-Continent and Alaska*
Wilbur J. Worley	*Regional Manager, Exploration, Gulf of Mexico*
Stanley W. Odut	*Manager, Production, Western Canada, Calgary*
John H. Parker	*Manager, Purchasing*

Forest Products Division

Johnsonburg, Pennsylvania

Robert E. Leslie	*General Manager*

International Division

Gonzalo F. Tufino	*Chief Geologist*
James Saville	*Manager, Metallurgy*
Gordon L. Toll	*Manager, Mining*

Minerals Exploration Division

Golden, Colorado

Allan P. Juhas	*Chief Geologist, U.S. Exploration*
John T. Lambe	*Chief Accountant*
Peter L. Money	*Regional Manager, Toronto, Ontario*
John M. Newell	*Assistant to the Vice President*
George Podolsky	*Chief Geophysicist and Manager, Exploration Services*
Edward J. Poole	*Manager, Foreign Exploration*
John C. Ruckmick	*Senior Manager, Exploration*
Morland E. Smith	*Regional Manager, Perth, Western Australia*
Irving L. Turner	*Regional Manager*

Subsidiaries

Texasgulf Australia Ltd.

Kenneth J. Kutz	*President*
Lloyd A. Berrey	*Vice President, Perth*
Morland E. Smith	*Vice President, Perth*

Texasgulf Canada Ltd.

Gino P. Giusti	*President*
P. Ray Clarke	*Executive Vice President, Timmins*

Texasgulf Export Corporation

Michael C. Hughes	*Senior Vice President, London, England*
Alan S. Tipler	*Vice President, London*

Texasgulf Panama Inc.

Kenneth J. Kutz	*President*
Enrique J. Ruiz-Williams	*Vice President, Panama City*

Texasgulf Potash Company

James R. Paden	*President, Raleigh*

Affiliates

Cia. Exploradora del Istmo, S.A. (C.E.D.I.)

Robert M. Stoy	*Texasgulf Chief Technical Advisor to C.E.D.I., Texistepec, Mexico*

Sulphur Export Corporation

John W. Hall, Jr.	*Chairman and Joint Managing Director*

Shareowners Information

The Annual Meeting of Shareowners will be held at the Italian Center, Stamford, Connecticut at 10 a.m. on Thursday, April 23, 1981. Notice of the meeting, proxy statement and proxy are being sent to shareowners along with this Annual Report.

Texasgulf's Form 10-K Report to the Securities and Exchange Commission for 1980 is available upon request to the Corporate Secretary, Texasgulf Inc., High Ridge Park, Stamford, Connecticut 06904.
Telephone (203) 358-5000.

Stock Certificate Information, including proper handling, safeguarding, and transfer, is contained in Texasgulf's Shareowner Information booklet automatically provided to all new shareowners. Copies are also available upon request to the Corporate Secretary.

Dividend Reinvestment, Optional Stock Dividend and Common Stock Purchase Plan participation is available to all shareowners. Shareowners are eligible to reinvest their dividends and to purchase additional shares of common stock. Details of the Plan and copies of the Plan prospectus are available upon request to the Corporate Secretary.

Registrar and Transfer Agent—United States
Morgan Guaranty Trust Company
New York, New York

Registrar—Canada
The Canada Trust Company
Calgary, Montreal, Toronto, Winnipeg

Transfer Agent—Canada
Canada Permanent Trust Company
Calgary, Montreal, Toronto, Winnipeg

Executive Offices
High Ridge Park
Stamford, Connecticut 06904
Telephone: (203) 358-5000

Shareowners' "Open Line"
Call toll free, 24 hours a day.
United States: 800-243-9934
(In Connecticut) 1-800-942-0322
Canada: 1-800-268-8380

Tg Texasgulf Inc.
High Ridge Park, Stamford, CT 06904

Texasgulf's Principal Operations